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INDUSTRY

MERCE

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY

HEARINGS

BEFORE THE

**COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES**

SIXTY-FIFTH CONGRESS

THIRD SESSION

ON

H. R. 13324

JANUARY 31 TO FEBRUARY 14, 1919

PART 5



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GOVERNMENT PRINTING OFFICE
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GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, January 31, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. Gentlemen, I want to read a letter, which I have sent to Mr. Colver, chairman of the Federal Trade Commission, and his reply thereto, as follows:

JANUARY 31, 1919.

HON. W. B. COLVER,
*Chairman Federal Trade Commission,
Washington, D. C.*

MY DEAR MR. COLVER: Yesterday the Committee on Interstate and Foreign Commerce by motion directed me to confer with you as to disclosing names of persons who wrote letters to you or made statements concerning the meat-packing industry, which are embraced in your report No. 2, with names withheld. I will be glad to see you and confer with you about this matter at your earliest convenience.

Very truly, yours,

(Signed) T. W. SIMS, *Chairman.*

FEDERAL TRADE COMMISSION,
Washington, January 31, 1919.

SIR: In view of the discussion in the committee on January 30 the commission begs leave to make the following suggestions:

No resolution is necessary requiring the Federal Trade Commission to produce documents, furnish names of witnesses, or otherwise lay before the committee every bit of information and evidence which it has secured during the investigation of the meat-packing industry.

A transcript of the testimony taken at the public hearings was sent to the Joint Committee on Printing nearly a year ago for the purpose of its publication in a public document.

These public hearings are only a small part of the evidence. There is also a very great amount of documentary evidence, reports of investigators, transcript of testimony, and court record, as well as schedules required of the packing concerns by the commission. All of this is at the disposal of the committee for publication in its record, and has been at all times.

It may require a little time to recall and copy such original documents as have been transmitted by the Federal Trade Commission to the Department of Justice, but if the committee desires this will be done with all expedition, subject, of course, to the opinion of the Department of Justice as to a disclosure of certain matters being in the public interest.

When the committee is ready for the commission to again appear before it much light will be thrown upon the record as built up before the committee during the last 10 days.

By direction of the commission.

Yours, very truly,

WILLIAM B. COLVER, *Chairman.*

HON. THETUS W. SIMS,
*Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington.*

The CHAIRMAN. Gentlemen, I want to make a statement that I would like for every member of the committee to hear. To-day had been designated to hear representatives of the Consumers League, the American Federation of Labor, and some other organization, the name of which I do not now remember, and they were to have to-day only. If they did not get through to-day that was to close their hearings; but on yesterday I got information that the representative of the Consumers League was ill and could not come, and I made a tentative arrangement with them that if they would yield to-day we would let them all come in next Wednesday and they might have that day in the same way they were to have to-day. Other witnesses are here representing the wholesale and retail grocery end of this subject which have not yet been heard. Mr. Bode is here from Chicago, who can give us some information touching the wholesale and retail grocery business, as affected by this legislation, or as it may possibly be affected by it, and I stated to him just now that he could use the present time if there was no objection.

Mr. ESCH. Are there any other witnesses except Mr. Bode?

The CHAIRMAN. There is a gentleman, Mr. T. C. Atkeson, from West Virginia, I think, chairman of the executive committee of the National Grange.

STATEMENT OF MR. WILLIAM F. BODE, VICE PRESIDENT OF REID, MURDOCH & CO., OF CHICAGO, ILL.

The CHAIRMAN. Mr. Bode, you may proceed and make your preliminary statement in your own way.

Mr. BODE. I just have some memorandums here.

The CHAIRMAN. First give your name to the committee.

Mr. BODE. My name is William F. Bode; I am vice president of the wholesale grocery of Reid, Murdoch & Co. of Chicago, who are old-time wholesale grocers and manufacturers. They have been in business since 1853. I have been associated with that business for 35 years and I have followed up nearly every branch of the business and have had a good deal to do with the observation of competition, and especially in late years of the competition of the packers who have entered our industry; that is, handled goods that were commonly known as grocery items.

I have prepared a few memorandums, and if I may I will just refer to them.

The CHAIRMAN. Proceed in your own way.

Mr. BODE. I wish first to pay my respects to the packers. Neither my company nor I bear them any malice. We feel no antagonism or jealousy. They have made wonderful progress with their enterprises and have no doubt been of great benefit to Chicago, but we believe in the spirit of equal rights to all and special favors to none.

I desire to give this committee some important facts, developed from personal knowledge and experience of the special service rendered by the railroads of the country to the meat packers, which is not rendered to any other food industry. This applies to the handling of privately owned refrigerator cars, particularly known as packers' refrigerator peddler cars (for fresh meat). These are handled daily by the railroads delivering fresh meat to every town, village, and city in the United States located on a railroad. It is

a splendid service and keeps the retail butcher supplied with his fresh meat needs almost without interruption and is so certain and sure that the arrival at any station can be timed to a minute (barring accidents). These privately owned refrigerator cars aggregate many thousand and when handled by the railroads are for the sole use of the products of the owner, and when empty must be returned to the plant with a payment of 1 cent per mile. For example, movement loaded 200 miles, returned empty 200 miles, payment \$4 to the owner. No other food industry receives peddler-car service with privately owned equipment.

The wholesale grocer deals in many perishable and nonperishable products, requiring refrigerator service approximately seven to eight months per year and to safeguard this class of merchandise the railroads will provide refrigerator cars, iced in summer and heated in extreme cold weather. This service is limited, however, by each railroad to certain specific cities on its line, and according to printed schedule refrigerator cars move on certain sailing days only. Some roads have no refrigerator service at all. Others have one, two, and three day service per week.

To illustrate: The Chicago & Alton offers no refrigerator service to the public. The Nickel Plate has refrigerator-car service on its entire line from Chicago for two cities only, namely, Fort Wayne and Cleveland. The Illinois Central Railroad has refrigerator cars and will render service to the public but will only deliver to 33 cities by actual count in the State of Illinois. There are approximately 500 or more towns on the Illinois Central in Illinois. The Illinois Central will handle the packers' refrigerator cars any day to every town, 100 per cent service to the packer; to the public (anyone else) approximately 5 per cent service.

If the railroads will give any specific grocery jobber this special service, he will make corner grocery stores out of every other grocery jobber in the country. This special car service for the sole benefit of the packer has restricted the small packer to his limited zone and is responsible for the wonderful growth of the Chicago packers. This should be denied them except for fresh meat; every one being served by a public railroad corporation should have an "even break." Regulate the railroads so that they, as public carriers, render equal service to all and you automatically curb monopoly. Service is the one and most important element that fosters and develops monopoly. No railroad should be allowed to handle private equipment for the sole benefit of the owner, but when such equipment is tendered to the railroad it should be subject to public use for like service and be utilized for the products for which it was intended. Regulate the railroads and you solve the problem.

The packers have taken advantage of the special privilege of service for their private cars, and the question arises, Should they be blamed unless they can be charged with the responsibility of having encouraged such service by private agreement due to promise of increased business, etc.? Goods not demanding refrigeration should not be put into refrigerator cars during the period when refrigerator service is in demand and a refrigerator-car shortage exists.

Special service by the railroads for refrigerator cars should be confined to fresh meats only, and made available to public use. All other refrigerator service to be rendered according to regular railroad schedule.

There should be no discrimination in favor of any industry.

Special service by railroads held the small dealer or packer to his own district, put the packer in the butter business, put the packer in the egg business, put the packer in the cheese business, put the packer in the poultry business, put the packer in the rice business, put the packer in the soap business, and put the packer in the grocery business.

Many cars receive 100 per cent refrigeration when only 10 per cent or more is necessary, the balance of the car being loaded with non-perishable goods.

Packers have their own terminals, have their own belt lines, have their own refrigerator-car lines. Some of these are operated under separate corporate style.

A special switch service is rendered these cars without extra cost.

One reason for that splendid service is the fact that the Chicago Junction Railway is practically controlled by the packers, and they, being a railroad industry, can get the railroad ear of the trunk line and can get most excellent service in their switching. We can not have that advantage.

The refrigerator-car towns in Illinois I refer to are 11 towns, or, rather, 11 schedules with 33 towns, and the Illinois Central Railroad operates about 49 cars a week. During the summer and winter months we have lost business requiring refrigerator cars to all towns excepting these towns, for the reason that the perishable or semi-perishable products can not be shipped. They are refused by the railroads.

Special railroad service.—The packers were very careful not to disclose to the committee the actual facts regarding this service, and that they were able to provide a service that they are protected in and a service that only the "packer" enjoys. It is a special service that is nearly equal to the passenger service of the railroads. It was created solely for fresh meats, and rightfully so, due to the highly perishable nature of the product and to the fact that the consumer should receive his meat fresh and on schedule time. This splendid service was developed with the full cooperation of the railroads, so that arrivals of peddler cars delivering meat from privately owned refrigerator cars could be timed to almost a minute in every town having railroad service in this land. A low minimum weight of 10,000 pounds was agreed upon between the packers and the railroads to insure daily or frequent service, and applied and intended only for the so-called packing-house products. This is a very flexible term, as I will disclose later.

In due course the packers commenced the manufacture of butterine and oleomargarine; and having received such excellent service with fresh meats in making refrigerator-car deliveries, "he" decided to put into this car, intended solely for fresh meats, a box or so of butterine and justified his action by classifying this product as a packing-house product. In time this butterine business grew to an immense magnitude. Subsequently creamery butter was included in the distribution. This class of business goes hand in hand with the cheese business; hence the packer concluded that with the fine service at his disposal he would also deliver cheese in his meat cars, so he bought cheese and shipped this product (in no sense a packing-house product) in the meat-refrigerator cars and gave such excellent service to the trade, with the result that the packer now controls the cheese.

business of the United States, taking this business almost entirely away from the usual channels of trade and making deliveries daily where no one else can deliver, thereby having a protected monopoly which is gradually reaching out and covering every item of food products handled by the grocery jobber. This special or favored service given the packers by the railroad company is responsible, as stated by the packer (Mr. Armour in his statement before this committee), for the handling of grape juice, crushed fruits and sirups, soaps and soap powders, talcum powder, canned goods, including fruits, vegetables, salmon and canned milk, bottled pickles and olives, also bulk pickles and kraut, cereals of all kinds, rice, prunes, and other dried fruits, beans, coffee, eggs, and poultry. The private-owned packers' car is a refrigerator car specially equipped for fresh meats. Many of the items mentioned are of a nonperishable nature, and in shipment by the packers these refrigerator cars are used for both perishable and nonperishable goods.

The packer not only put his nonperishable and nonpacking-house product into a 10,000-pound minimum car, but he at the same time reduced his perishable or fresh-meat weight to correspond, permitting a quicker "get-away" to serve the trade. The packers' car minimum is 10,000 pounds for packing-house products. The privileges accorded this car are in allowing the contents to be peddled and delivered to customers in every town en route. The grocery jobbers' car minimum is 15,000 pounds, causing thereby a 50 per cent greater cost to the grocery jobber. The railroad thus receives less revenue.

In the matter of full carloads of packing-house products the tariff provides for a 30,000-pound minimum. The jobbers' minimum for his products to certain destinations is from 36,000 to 40,000 and higher.

Meat service should not be given to the grocery items. Meats are an essential and are in great demand and needed by the people of the country, and groceries are not, except as they can be delivered through the usual channels of the roads. Meat, however, must be delivered promptly. Meat receives the special service from the railroads that it is entitled to, and Mr. Packer to-day is doing very well, as I have stated, with that service, and he simply interjected these other items in there and gets a one-day or two-day delivery when it takes me 5 and 10 days, and maybe longer, subject to the usual delays of the regular scheduled service in reaching destination. This, as I have said, is responsible for getting him into these lines that are foreign to his particular business.

We do not feel that it is a question of jealousy on our part. We do not deny his right to go into any business he wants to, but when he gets a privilege or advantage which I can not enjoy then there are certain rights taken away from me, and there is no warrant for his receiving that benefit as against any other industry.

I have noticed some advertisements which the packers have been putting out recently. In every reference to these cars they state, "fresh meats." There is not a word said about anything else they are used for. For instance, in Morris's ad here the other day they state:

Ownership of refrigerator cars makes possible distribution of fresh meats to the distant consumer.

Mr. Swift puts in an ad saying:

Ice boxes on wheels. Refrigerator cars for carrying meat are ice boxes traveling on wheels. Most people in America would have to go without fresh meat or would have to pay more for what they could get if it were not for these traveling ice boxes, so Gustavus F. Swift had to make the cars himself. The first one was a box car rigged up to hold ice. Now, there are 7,000 Swift refrigerator cars. Each one is as fine an ice box as you have in your home.

Those cars do carry nonperishable stuff, beans, canned corn, coffee, prunes, and everything of that nature that the meat service requires, but they get these other goods in the car, and our salesmen fail to get the business.

For years the packers have been adding various commodities to their packing-house business that are not products of slaughtered animals. The past few years have witnessed the addition of many lines of merchandise not found under the caption of "Packing-house products" as generally defined in the various freight tariffs of carriers.

Under special privileges accorded packers by virtue of privately owned refrigerator cars, coupled with extraordinary service, and this service means approximately passenger-train schedule, which in general is provided by railroads, there seems to be, in our judgment, no end of commodities they can not handle to extreme advantage over all other shippers who must submit to intermittent and slower movement for nonperishable, and in most cases no service at all for perishable freight.

Principal commodities handled by packers affecting our business are: Perishable: Cheese, fish. Nonperishable: Coffee, rice, dried fruit, peanut butter, soaps, soap powders, talcum powder, etc. Semi-perishable: Canned fruits, canned vegetables, pickles, olives, catsup, table sauce, preserves, jams, syrups crushed fruits grape juice, canned milk.

There is no reason why they can not also successfully handle to the exclusion of others, because of these special privileges, dry goods, boots and shoes, furniture, hardware, or any other merchandise bought and sold.

Eliminate the advantage of the packer with reference to special equipment, except for meat requiring refrigerator cars and their special service, or confine the loading and use of refrigerator cars to the purpose for which they were built or intended, namely, transportation of meat requiring refrigeration or protection from weather conditions. Make all refrigerator cars, regardless of ownership, the property of the railroad while in possession of such road, and any unoccupied space to the maximum load to be at the disposal of the road in possession of the car and available for any shipper of similar commodity; and this has reference to carloads and particularly so-called peddler cars; then dealers in any kind of merchandise need have no fear of nondiscriminating competition from any source.

It is the special expedited railroad service rendered the packers only that has enabled them to successfully add the various articles other than meat to their packing-house business.

Upon representation of shipping conditions, hazard of slow transportation, reflected in loss and damage to meat, has enabled packers to induce or procure from railroad operators special fast schedules,

by which their cars are given right of way over all other classes of freight. Special switch movements are made with two, three, four, or more cars. Example: South Omaha to Omaha or Council Bluffs transfer yards, Union stockyards to downtown Chicago freight houses and yards, and these performances by the railroads are done to place not only meat but all other goods handled by packers in their cars on some scheduled train for distant point or district.

Some of these cars from the packing houses to downtown Chicago depots contain very small amount of fresh meats, some of them no fresh meat. Articles consisting of cured meats not absolutely requiring the special protection the same as fresh meats, while the balance of the car is made up of miscellaneous other nonperishable goods.

For example: A car was recently handled on which more than half the car was taken up by canned goods—that is, fruits or vegetables in tin cans, boxed—for Cedar Rapids. The canned goods did not require the special use of refrigerator cars, but refrigerator car was used to obtain the special meat schedule from the stockyards district for Chicago freight stations. Goods in that car were forwarded on that particular day. When, on account of no freight, due to sailing-date plans, the car itself is either held over with the small amount of freight in it for a particular point for the sailing date, or perhaps the freight is taken out of the car and held in the railroad company's warehouse for the sailing date, and if any meat it's held in railroad's special cooler. The use of railroad's refrigerator room is not available to general shipping public, as railroads will not accept freight on nonsailing days.

Nearly every railroad depot in Chicago and many other large cities of the country have what they call a special cooler that they use solely for the benefit of the meat packers.

These special cars from the stockyards at Chicago to downtown freight stations are handled approximately a distance of 10 miles on this special service.

Because of this expedited service they took advantage to go into other lines of business and utilize their cars and service as a special inducement to buyers of coffee, grape juice, rice, pickles, talcum powder, soaps, and the long list of merchandise previously referred to, and on account of general shippers' inability to meet the service rendered by packers' daily, weekly, semiweekly, triweekly timed schedule against dead freight and merchandise uncertain schedules according ordinary shipments by railroads it has enabled packers to make great inroads on certain lines of goods to the exclusion of those compelled to use whatever is made available by carriers.

Take cheese, for instance—this commodity has always been a grocery item, or until packers discovered they could load cheese into their cars and get the service also to make up minimum in some cases; also they found some space in cars to stow cheese that did not interfere with the meat, so they got into the cheese business and are able to serve any community in the United States, either through branch-house supplies or peddler cars, and their customers can depend absolutely on goods arriving on a certain day and a certain train. In consequence, the packer is to-day doing from 65 to 75 per cent of the cheese business in the country.

The wholesale grocer must submit to refrigerator car schedules as furnished by railroads, and the following is a sample of the Pennsylvania Railroad (Pan Handle Route) :

For example, Chicago can get no refrigerator service to towns Chicago to Columbus, Ohio, not a dollar's worth or an inch of space. There is not a pound of perishable stuff that goes from Chicago to towns Chicago to Columbus, Ohio, and in consequence of that we have lost all the trade on perishables like cheese and goods that will not stand the weather in the winter time to every town between Chicago and Columbus on the Pan Handle route. The packer can put his cheese or his meat, and all of these goods carried by him of our character, and deliver them every day to every town between Chicago and Columbus on the Pan Handle Route. We call that, and claim it to be, a discrimination.

Illinois Central Railroad serves 33 towns in the State of Illinois out of total of towns, approximately, 500, on their lines in the State, and that service, mind you, is from daily to once a week. These are typical of the entire country.

It is true cheese can be safely shipped with little or no damage by weather in the spring and fall seasons, but the bulk of cheese business is during seasons requiring protection that can only be given by refrigerator cars.

Even in the spring and fall shippers who are compelled to rely on what service he gets from railroads is still further handicapped on deliveries by the sailing day schedule for general merchandise, and you will note that operations are limited to two or three days per week for shipping, but the packers' cars, branch houses, and peddler move any and every day. The magnitude of this discrimination is evident when you realize that this special service for peddler cars is available to thousands of branch houses and plants of the packers all over this land and packers' cars peddle out at a number of towns on a minimum loading of 10,000 pounds, and the deficit is charged on basis of practically the lowest less-than-carload tariff rate. When other shippers move cheese they must load or be charged on the basis of 15,000 pounds minimum, or 50 per cent more weight.

Mr. DOREMUS. Will you read that last statement, please?

Mr. BODE (reading) :

The packers' cars, branch house, and peddler, move any and every day, and packers' cars move either to branch house or peddle out at a number of towns on a minimum loading of 10,000 pounds, and the deficit is charged on basis of practically the lowest less than carload tariff rate. When other shippers move cheese they must load or be charged on the basis of 15,000 pounds minimum or 50 per cent more weight.

The CHAIRMAN. I do not want to break in on your statement, but let me ask you this question: You mean by a minimum of 15,000 pounds, you do not include 15,000 pounds in the car—

Mr. BODE (interposing). If we do not include 15,000 pounds we have got to pay on 15,000 pounds.

The CHAIRMAN. That is, you have to pay what you would pay if there were 15,000 pounds.

Mr. BODE. Yes. Now, the packer only pays for 10,000 pounds, and the railroad renders just as much service, and gets one-third less revenue, and they render a town-to-town service, and while the rail-

roads offer the public a town-to-town service on equipment, they will never render it to you because you can not get it. The important point is that the meat has given them a town-to-town service, which is not enjoyed by any other industry, and by reason of that, they put these other goods in the car and when a customer is handling meat, and even if it is a customer not handling meat, knowing that the refrigerator car of the packers is coming along, they will say, "Send me some canned goods, because I can get that service to-morrow or the next day."

With me, I have got to rely on the schedule of the railroad, and that schedule, if it is perishable stuff, would be one, two, or three cars per week, with the delays incident to their scheduled service. If there is no refrigerator service I can not ship it at all, but Mr. Packer can get those goods into that town, whether it is for a butcher or for a baker, or for a grocer, with his meats right on the minute. That is a discrimination in favor of the packer, and naturally he will get into every line of business on earth if he gets that special favor.

The packer in doing the perfectly humane act in supplying consumers with their needs as to fresh meat consequently arrived at a basis of loading so-called peddler cars to as low a figure as was possible to negotiate with operators of railroads, thus creating a 10,000-pound minimum car and is permitted to use it in peddling packing-house products at various towns en route. The rule is so framed that in case there is less than 10,000 pounds of packing-house products in the car that the deficit in weight is charged for on the basis of the lowest less than carload rate to final destination of the car, and these are the only requisites demanded by the carriers in handling the cars by special service.

There is nothing in the rule to prohibit packers from loading any other goods in the car, in consequence they load and peddle the long list of articles previously mentioned; however, they pay the regular freight tariff rate on all the goods.

To forestall criticism and possible charges of discrimination under the act to regulate commerce, the railroads publish a rule similar in its requirements for use of shippers of perishable freight other than packing-house products, the notable exception being the requirement of 15,000 pounds instead of 10,000 as a requisite to furnishing a refrigerator car.

This rule is entirely a paper rule, subterfuge, camouflage, as many roads do not have or control any refrigerator cars, and those who do would not furnish cars for the purpose, and no refrigerator car is furnished for any kind of load without much persuasion and complete history of transaction as to contents, destination, and route of car; or, in plain words, if we ordered a refrigerator car for peddling same as packer we would exhaust our patience and the length of time to get it would lose sale.

For shipments between towns in the State of Minnesota, when there are no regular scheduled refrigerator cars furnished by railroads, such carriers have a rule that they will furnish such cars for 10,000 pounds minimum shipments.

In the matter of waybilling and deliveries from packers' peddlers, many of these cars move to destination on the manifest or copy of the bill of lading which does not show the amount of weight, charges, and extension. Then, two or three days later, the regular waybill is

received by the destination agent, from which the destination agent makes an expense bill. In other words, the goods are not held at the shipping-point station for waybilling purposes; they go forward to destination without any waybill. No other goods are handled in this manner.

In case the bill of lading does not agree with the expense bill, the expense bill has to be returned for correction; sometimes as to commodities, others as to weight, resulting in wrong tare or actual weight in use, and these corrections create undercharges and overcharges. An extra amount of clerical work on part of railroad employees is involved through these practices at both the shipping point and the destination of the goods.

This applies to all goods handled in the regular peddler cars. Sometimes it applies to shipments made in what are known as "branch-house" cars, which also contain a miscellaneous lot of merchandise.

All freight, perishable and nonperishable packing-house product in peddler cars to one customer or consignee is handled on one bill of lading, manifest, or shipping ticket, thus the packer is enabled to avoid splitting the shipment and also extra freight due to eliminating minimum charges.

Other than packers by use of his peddler cars in handling shipments requiring refrigerator protection either against cold or heat are required to make out separate shipping tickets covering the perishable goods in any order that might be taken of perishable goods and nonperishable goods usually handled by wholesale grocers. The splitting up on the shipment, in other words, requires special attention with reference to minimum charges; that is, an entire shipment may weigh 300 pounds; however, if there is 50 pounds of cheese in the shipment we would have to pay a greater sum of money than this same 50 pounds of cheese would be hauled for if it could be included with the nonperishable goods.

To illustrate, from Chicago to Pittsburgh:

Grocers' shipment:

Refrigerator car, cheese, 50 pounds minimum	\$0. 78
Box car—Coffee, 100 pounds	. 42
Rice, 100 pounds	. 39
Raisins, 50 pounds	. 26
Soap, 50 pounds	. 22
Total	<u>2. 07</u>

Packers' shipment:

Peddler car service—

Cheese, 50 pounds at	. 39
Coffee, 100 pounds at	. 42
Rice, 100 pounds at	. 39
Raisins, 50 pounds at	. 26
Soap, 50 pounds at	. 22
Total	<u>1. 68</u>

Advantage of packer, 89 cents on 350 pounds.

Further, under Railroad Administration regulations as to routing of freight, the general shipping public has no alternative than to deliver his goods to a particular road to go a particular way to junc-

tion points or towns served by more than one road, while packers' peddler cars serve all towns en route when distributing in a particular district, including towns barred to general public.

Example: Prairie du Chien, Wis., is on the C. B. & Q. and C. M. & St. P. roads. Packers ship via either—others must ship via C. M. & St. P. While this place is on a direct line of C. B. & Q. R. R. between Chicago and St. Paul it is on a line of the C. M. & St. P. R. R. between Milwaukee and Chamberlain, S. Dak., and freight from Chicago must move via congested terminals of the city of Milwaukee. Service via C. B. & Q. has been two or three days, via C. M. & St. P. as long as two weeks.

Knightstown, Ind., on Pan Handle (Pa. R. R.) and Big Four. Public must ship Pan Handle, service generally three weeks, has been three or four days via Big Four road. Packer ships as he chooses.

DeKalb on main line C. & N. W. Branch of C. G. W. Public must ship C. G. W.—two or three days longer.

Forreston, Ill., on C. B. & Q. and I. C. direct line of I. C. Must be shipped C. B. & Q. Packer ships to suit himself.

One of the most aggravating conditions existed at Maywood, Ill., about 10 miles out of Chicago on C. & N. W., also C. G. W. Business portion of town surrounds C. & N. W. Railway freight station. We were compelled to ship C. G. W., whose station is a mile or more from town, and our customer deducted \$3 for extra drayage on small order goods he had to haul from C. G. W. and advised he would repeat the deduction as long as we continued to ship C. G. W. After strong protest we got routing changed, but could do nothing with many other places where unsatisfactory slow service exists.

But the packer was able to have his car handled on the Northwestern without any restriction, putting in his cars the same goods that we would sell these customers.

The limited service has caused us to issue to our salesmen special instructions with reference to certain of our goods, and practically all of these goods are handled by the packers in their cars loaded at their warehouse convenient to their meat storage, but no such restrictions are imposed on their shipments—they can, and do make them daily, regardless of weather, sailing days, or heavy or intensive loading, such as is required of others.

The winter season develops limited service to the general trade by the railroads, and that is illustrated by a notice issued by the railroads. This particular notice was issued by the Chicago and Northwestern Railroad, dated Chicago, Ill., November 4, 1918.

Subject: Accepting perishable freight.

This gives us due notice of what we are subject to, or at least what our shipments are subject to, during the cold period.

The notice was issued to their superintendents and agents, Circular No. 27, as follows:

All superintendents and agents:

1. Carload and less than carload shipments of perishable freight as indicated below and other commodities which are liable to be frozen must not be accepted for shipment when the temperature is at zero or lower or when the predictions of the Weather Bureau indicate that the temperature will fall to

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zero or lower over the territory through which the shipment travels the next succeeding 24 hours.

Ale.	Medicine, liquid.
Ale, ginger.	Melons.
Beer.	Milk and cream (fresh).
Blacking, liquid.	Mistletoe.
Bluing, liquid.	Mucilage.
Bulbs (plants).	Nursery stock.
Candy (chocolate).	Nuts, edible.
Canned goods.	Paste.
Cheese.	Pickles.
Cider, all kinds.	Porter.
Coconuts.	Preserves.
Cranberries.	Sauces, table.
Eggs.	Shrubbery.
Fruits, all kinds except dried.	Trees.
Fruit juices.	Vegetables, all kinds.
Holly.	Vinegar.
Ink.	Water, mineral.
Kraut (sauer).	Wine.
Malt extract.	Yeast.

That is a restriction placed on every shipper except the packer. He can put all of these goods in his own car and tender that car to the railroad, and he gets delivery. We are restricted because they will not accept these goods, and they give us due notice that these goods can not be shipped.

2. Except as provided above, shipments of less than carload perishable freight, which are subject to damage by freezing, will be accepted only on days when regular refrigerator cars are scheduled to run.

3. When reports of storm conditions indicate an interruption of train service, perishable freight should not be accepted for shipment.

We have had goods come back to us half a dozen times or more. We would take them over to the depot and they would say, "We can not take them to-day." Mr. Packer can put them into his car, tender his car to the railroad, and get them delivered.

4. When less than carload shipments of perishable freight are accepted, they should immediately be loaded into warm cars and not allow to remain on the open platforms. Freight received for shipment that must be handled on way freights must be placed in a warm room until the arrival of the train. Heaters must be carefully examined to see that they are properly supplied with oil, wicks carefully trimmed, and in good condition to give proper heating service.

E. E. BETTS,
Superintendent Transportation.
H. C. HOWE,
Freight Claim Agent.

In response to that circular, we sent out a similar notice to our salesmen to this effect:

Salesmen:

On account of necessity of protecting certain of our goods that are perishable, due to weather conditions, especially now (winter), the following should be carefully considered:

Railroads reserve the right to refuse any and all perishable goods for points to which or on days when no scheduled refrigerator or heater car service is available, and enumerate the following goods subject to such loading.

Then follows a list of the articles which I just read from the previous circular.

Railroads insist on separate shipping tickets or one covering all perishable items, the other nonperishable, so this involves minimum charge on each separate shipping ticket or two minimum charges on any order containing both perishable and nonperishable goods.

It is necessary, therefore, to write up two order sheets, one for perishable and the other for nonperishable goods, and consideration must be given to the weight in the orders to see that freight is not charged on something not shipped.

Yours, very truly,

REID, MURDOCH & Co.

In other words, the salesmen must have enough weight to make what we would call the shipping weight. The railroads classify the weights according to certain character of goods. We may have to have 200 pounds of any one shipment, whether it is perishable or not perishable. So, in order to be sure, our salesmen must take orders aggregating the acceptable weight to the railroads.

If we own private refrigerator cars, will the railroads render us like service? No; for the following reasons: Operating department must first be arranged with to handle the cars. Our product not being highly perishable, the railroad will not give us the same service, and are absolutely opposed to privately owned cars. We looked into that proposition. We took it up with the North Western; and the general superintendent of transportation would not guarantee any better service than a box car, if we owned our own refrigerator cars, notwithstanding the fact of the well-established and long-established service which the packer has been receiving.

Meat should have expedited service, but these other products they are handling absolutely should be cut out. Now, the packers' refrigerator cars are so important that the railroads get out what they call a bulletin, and they call it a United States Yards Meat Loading Bulletin. They schedule these meat cars just as surely as they schedule every passenger train they have. Why they should discriminate in favor of that industry I do not know. If it is solely for fresh meat, we have no cause to complain; but if it includes the items that we compete with them on, then we have a right to complain.

For instance, Wilson & Co. Route No. 3, leaving the stockyards Saturday, leaving from Proviso Monday, train 137, on way freight 6.30 a. m. Elmhurst to Aurora and St. Charles. The Monday car leaves at 10.15 p. m., Elgin to Freeport. The Tuesday car from Elgin leaves at 11.05 a. m., No. 737, sets out at West Elgin to unload by wagon, picks up by 737, and peddles to Belvedere. Picks up by 739 and moved to Rockford; 733 picks up at Rockford and takes it to Freeport.

Fresh meats should receive this benefit, but they are taking also groceries and all these other items I have referred to, and taking them in these cars.

Armour & Co. have four schedules on the North Western, Swift & Co. have five schedules, and Morris three schedules.

Mr. Berry, our traffic man, reminds me that this is only one division on the North Western. How many more would depend on how many divisions they have.

Now, they get up this bulletin and call it a meat-loading bulletin, specially handling highly highly perishable products.

The CHAIRMAN. Let that bulletin go in the hearing.

Mr. BODE. Yes. When they tender this car, they have all items under the sun in the car; and that car gets the benefit of this special service, which our industry can not obtain; and in that respect we think it is gross discrimination.

(The bulletin referred to follows:)

Mr. BODE. Aside from meat and packing-house products the minimum carload weights required by railroad tariffs and classifications is 40,000 on dried beans, rice, soap; 36,000 on canned fruit, canned vegetables, pickles, olives, preserves, catsup, etc. Yet by special privilege in exception to classification, packers secure a 30,000-pound minimum in cars containing most any of goods they handle, by placing in the car as little or as much as they desire of some canned meat. It is possible to get 30,000 pounds minimum with one small box of canned meat, say 10 pounds in weight, balance canned goods, rice, etc. In short, packer gets 30,000-pound shipment at carload rate—others must pay on 36,000 to 40,000 pounds or go into packing-house product business or buy canned meat to place in car goods every time they want to ship 30,000-pound minimum car. Carload minimums enjoyed by packers on their shipments are: Fresh meat, 20,000 pounds; fresh meat and packing-house products mixed, 26,000 to 28,000 pounds; packing-house products and any goods subject to carload rating, fifth class in official classification, 30,000 pounds.

Goods subject to fifth class cover about 75 per cent of all merchandise in classification.

The effect that their competition had on our business warranted a letter by me to our salesmen, written on January 11, 1919, as follows:

CHICAGO, *January 11, 1919.*

Mr. J. E. HALL, Salesman.

DEAR SIR: We are desirous of receiving full information with regard to the loss, if any, of business with your trade of perishable goods, which require, during the hot summer period and the cold winter season, refrigerator-car service.

The railroads during the past two years have not been able to furnish the refrigerator-car service as formerly. Some roads were unable to offer such cars at all and others confined their services to one and two days per week and then limited such service to certain large centers, making it impossible for us to serve the trade that we had been accustomed to in the past. It is therefore our desire to ascertain from you what our actual loss in the trade has been of perishable goods, such as cheese and other perishable products, which require refrigerator service.

The large meat-packing industries have had their private-owned refrigerator cars handled by the railroads without any change in the service, the cars operating on schedule delivery time. This special service intended and assigned for the meat industries only has been taken advantage of by the packers and has influenced the use of these cars for products always handled by the jobbing grocery trade and never handled by the packers. The promise of meat-car delivery service has been responsible for taking away from the grocery trade a large share of their business, due entirely to the advantages that the packers have received from the railroad companies. Furthermore, the cars were used for goods, to a large extent, of a nonperishable nature.

It is our desire to ascertain your actual experience and observations with relation to what disadvantage you have experienced and the loss of trade, if any, by reason of not being able to furnish like service.

Yours, very truly,

REID, MURDOCH & Co. (INC).
W. F. BODE.

Now, I will read the answers to that letter:

KALAMAZOO, MICH., *January 13, 1919.*

REID, MURDOCH & Co.,
Chicago, Ill.

GENTLEMEN: From observation on my territory the large meat packers have had and now have regular weekly refrigerator-car service to nearly all the

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towns and cities which I make. With this service at their command their salesmen, which call upon practically the same trade as I do, had a clinch on all the cheese business and other perishable items that I had always sold heretofore.

It has also been my observation that the packers not only delivered cheese and other perishable items in these weekly refrigerator car route cars, but also canned foods and other commodities which did not require this service. Consequently I have suffered a heavy loss in business in perishable items, such as cheese, etc., by not being able to furnish like service.

Yours, truly,

J. F. HALL.

ALLIANCE, OHIO,
January 22, 1919.

Mr. W. F. BODE.

DEAR SIR: H. S. Ware, Alliance, Ohio, had purchased of me several casks dill pickles, but owing to the fact that Libby, McNeill & Libby salesman made the statement that they would ship packages one at a time and include same in meat cars which would practically guarantee prompt delivery—which if shipped by R. M. & Co. there was no telling when goods would arrive—and because customer had had shipments from us which were due before goods arrived, and we were requested to cancel his bills.

JOHN T. VEALE

PEORIA, ILL., *January 21, 1919.*

DEAR MR. BODE: I simply have no business whatever unless I stand the express rate personally during the hot summer and cold winter months, and my annual business suffers fully 50 per cent average for the year.

The railroads never fail to deliver a meat car on the exact date as advertised and our shipments on the regular line of merchandise drag along for a week, sometimes more.

Yours, truly,

P. A. LOWER, *Salesman.*

URBANA, ILL., *January 20, 1919.*

Mr. WILLIAM F. BODE.

DEAR SIR: The inability of the railroads to furnish adequate refrigerator-car service on this territory resulted in a loss of practically all of our perishable-goods business during the summer months, and it is only due to the moderate weather this winter that we are not now handicapped to an even greater extent.

I hesitate to say what this loss would amount to for fear of underestimating. In fact, it is impossible to estimate the loss, because you appreciate that our inability to supply merchants with our brands of merchandise on which we have spent time and money for years to introduce entails a loss that is difficult to figure in dollars and cents, and it goes without saying that the packers, with their refrigerator-car service, have an unfair opportunity to take advantage of this condition and replace our brands with their own.

There are about 10 customers on this territory who formerly bought cheese from me that rarely buy it now, and I attribute this to the fact that we were unable to supply them when weather conditions would not permit box-car delivery.

These customers would average a hoop of cheese every two weeks. Averaging the price at 25 cents per pound, it is a fair estimate that the loss on this item alone would amount to about \$4,000 a year.

Yours, truly,

WM. H. OATES.

JANUARY 16, 1919.

Mr. BODE, *Chicago, Ill.*

DEAR SIR: Replying to your favor of January 13 will say I was not able to sell any cheese last summer and I have always enjoyed a nice cheese business,

and since I have been able to ship cheese this fall and winter I have not been able to get my old cheese customers back so it has hurt me quite a little in that line. I haven't had any trouble on olives and pickles so far this winter as the weather has been very mild on my field. The packers ship anything they sell in their refrigerator cars such as dry beans, milk, canned foods, sirup, and soaps, and they have cars in most all towns twice a week.

Yours, truly,

D. A. ZECK.

LOGANSPOBT, IND., *January 16, 1919.*

Mr. W. F. BODE, *Chicago.*

DEAR SIR: The matter of the amount of loss suffered by me personally for the reasons mentioned on the other side is a question which I personally looked into when I was last in Chicago.

I believe that \$50 per month to me personally will not more than cover the direct loss in the past year.

Thinking, however, this was a matter over which R. M. & Co. had no control I hesitated about saying anything of this matter of the quicker service of the meat packers. These people in the last year have had a car and some of them two cars running on regular schedule to Logansport while it took us as much as 15 days to get goods through the regular channels.

Assuring you I will do anything in my power to help correct this injustice to the grocery trade, I beg to remain,

Very truly, yours,

BEN SELL.

Most certainly we have and do lose lots of business and are at a great disadvantage when the packer car delivers most any day goods that is quick refrigerator service. It just kills the cheese business. I don't know what the actual loss would be but I do know we lose lots of business. They deliver anything in these cars.

Yours,

D. K. HARKNESS.

Here is a letter from Mr. H. W. Miller, way out in Iowa, I think:

JANUARY 15, 1918.

GENTLEMEN: My loss from not having refrigerator service in summer beginning in May and lasting until October 20 is big. I enjoy a splendid cheese business during the cool months but have to pass all this fine business during the warm months. I tried shipping some cheese in the early summer last year but had trouble.

It sure would be a big help if you can secure refrigerator service. It is hard to estimate my loss of business on account of not having refrigerator service. For instance, I have many customers buying our cheese during the cool months and have to loose them during the warm ones.

This lets him get away from me and it is sometimes hard to get him back which also takes time and delay in getting him started again.

I lose lots of business on pickle and perishable goods in winter.

I believe I am safe in saying I could increase my business 15 per cent by having refrigerator service.

Very truly,

H. W. MILLER.

WARSAW, IND., *January 15, 1919.*

REID MURDOCH & Co., *Chicago, Ill.*

DEAR SIR: My business has been decreased by 50 per cent by the restriction on shipping cheese and like products. How much this has hurt future business is hard to tell.

My buiness on cheese was increasing at the time this rule was put in effect and considering that it decreased 75 per cent.

Yours, truly,

C. A. BRADDOCK.

JANUARY 15, 1919.

DEAR MR. BODE: I would say that on cheese alone I could sell at least \$5,000 more a year if we had the refrigerator service that the packing houses have, and it is quite a talking point for them on a number of items which they have the advantage on this account.

Yours, truly,

J. R. GANT.

ST. LOUIS, Mo., *January 16, 1919.*

DEAR SIR: During hot and cold weather I am compelled to discontinue selling perishable goods in my territory outside St. Louis, Mo.

During the same time the packers take over practically all the kind of business and deliver from their refrigerator cars. The merchant gets in the habit of buying of them and during the balance of the year I am of the opinion I do not get my full share of the trade on this account.

Yours, truly,

W. L. FLEMING.

Here is one from Glass, down in Oklahoma:

JANUARY 16, 1919.

Mr. BODE: We lost a lot of cheese business in August of last year in the following cities account of no refrigerator service: Lawton, Okla.; El Reno; Sapulpa; Muskogee; Okmmegee.

I had orders from above cities returned to me account of no refrigerator service.

GLASS.

JOLIET, ILL., *January 18, 1919.*

Messrs. REID, MURDOCH & Co.,
Chicago, Ill.

Attention Mr. W. F. Bode.

GENTLEMEN: Answering your letter on the reverse side, I certainly agree with you in that the shortage of refrigerator service in both summer and winter months has handicapped us in making deliveries of perishable goods.

First the extremely cold weather we had last winter, the lack of protection to items such as cheese and bottled goods was responsible for hundreds of dollars of business for the reason we could not make a safe delivery. I recall one specific case of Nelson Bros., Dwight, Ill., where I had made a sale of 5½ boxes of Monarch Twins. When the cheese came in it was frozen through. Nelson Bros. shipped same back and have never bought a pound of cheese from me since, although it was no fault of mine or R. M. & Co.

Another specific case happened last summer when the restrictions were placed on perishable goods without refrigerator. On June 5 order No. 16 I sold Boyer & Ervington, Pontiac, Ill., five hoops of Long Horn cheese. At this time the Illinois Central advertised to send refrigerator to Pontiac once a week. Due to a misunderstanding relative to time of departure, this consignment of cheese was taken to the depot a number of different times and as many times refused. My customers received this shipment about August 8 via express. I have not been able to sell them since, as they claim that they can get it promptly from the packer's car and delivered to their door.

I feel that it is absolutely necessary that something be done to remedy conditions of this nature or we grocery salesmen will be looking for a soft spot to light. I do not believe any of the boys will object to fair competition from these people, but with such conditions before us, we are ready to fight.

Believing that there is some remedy in sight, I remain,

Respectfully, yours,

J. W. BARBER.

Here is one from Mr. Hanna, out in Iowa:

JANUARY 18, 1919.

Mr. W. F. BODE.

DEAR SIR: No doubt I lose 80 per cent of business on account not being able to get refrigerator service.

J. G. HANNA.

Here is one from M. O. Allgaier, in Missouri and Kansas:

JANUARY 18, 1919.

DEAR MR. BODE: Your inquiry on other side carefully noted and wish to say that on account of lack of refrigerator service, during the hot and cold months of the year, I have lost nearly all my cheese business which I enjoyed in former years.

Have also lost some pickle business which the packing houses are getting.

In fact they get the business on nearly all the perishable items during the extreme cold or hot weather.

The retailers cuss them but give them the business.

Yours, truly,

M. O. ALLGAIER..

Here is a letter from Mr. A. J. Smith, who, I think, is a Michigan man.

Mr. DOREMUS. At what point?

Mr. BODE. I think it is somewhere around Jackson or in that vicinity.

Mr. BODE.

DEAR SIR: The railroads not being able to furnish us refrigerator service has deprived me of business to the extent of \$400 to \$500 a month.

Not only that, it has given the packers a complete monopoly of the cheese and other perishable business to the detriment of the merchants and consumers, as they invariably advanced the price on all goods we were not able to compete with them on.

The railroads ought to give us such service or allow us to ship in their cars, or, if the railroads belong to the people, take them all and give us all an equal deal.

Respectfully,

A. J. SMITH.

That strikes me as a very important angle to the proposition, the advantage they get without competition, and then they immediately boost the price.

ATLANTA, GA., *January 18, 1919.*

Mr. WILLIAM P. BODE, Esq.

In reply to favor on reverse side, will say it is difficult to compute loss of trade consequent to advantages extended, or, perhaps stolen by the large packers.

I am quite sure you nor any other house are able to compete with honest competition and would ask no special favors. The one packer in the South who is able to sell goods to better advantage than anyone is Swift & Co., who conduct or feature the "Libby" line. These people, as everyone knows, ship all classes of merchandise in refrigerator cars. But not considering the advantage of refrigerators, even did they ship in ordinary cars, they have the advantage.

Is I understand it, we have "commodity" cars which can be loaded only with specific articles in order to secure a cheap rate. They load all kinds of merchandise regardless of classification in the same car and it comes through. There is no doubt they have the advantage over the smaller dealers. If olives, dried fruits, pickles, fish, canned goods, coffee, and a lot of fancy goods can be shipped with beef at the carload rate, their goods cost them less money f. o. b. the respective points than shippers who have to conform to the railroad rules. Most all dealers have to ship olives L. car rates high. They come through carload rates from packers; same thing applies to cheese, preserves, dried fruits, and all groceries. After talking over the condition with very good men in my territory—taking all lines—we have concluded on account of advantages the large meat men have we lose about 50 per cent of business which belongs to legitimate merchants. The only solution to the elimination of such conditions is "No private ownership of freight cars."

Trusting I have responded satisfactorily,

I am, very respectfully,

W. J. NORTON.

This is a letter from Mr. A. J. Bischman, who is in Battle Creek, and also Jackson:

Mr. W. F. BODE.

DEAR MR. BODE: In reply to this letter, it is very hard to estimate just how much trade I have lost by not being able to compete with the packers in giving refrigerator service; time after time in taking orders from different accounts perishable items would come up, customers would say, "I will get that from Swift or Armour; their car will be in this week," and so forth, in nearly every case if we were in the same position regarding service, they would never get the chance to get the order, and this is their big item, especially in hot weather they boast of their refrigerator service, and in lots of cases get more money than we do on cheese, but customer is compelled to buy of them.

When I was in Indiana I had more trouble than now, as I was in direct competition with the Chicago branch. I have sold lots of cheese in hot weather, only to have regular order go forward with cheese omitted, the house writing customer that cheese would follow, as they could only have refrigerator service to their town once or twice a week; the trade soon got tired of this paying two cartage charges and so forth, and it got so at times of the year I sold practically no perishable goods whatsoever, only to see this bunch of ——— get the business.

I have talked to a good many merchants, and very few buy of the packing house because they like their methods and, everything being equal, give the other fellow the preference. Another thing, I have had merchants state they got this item or that item (regular grocery item) from Swift or Armour; had cheese coming, and they shipped grocery staples unperishable in their refrigerator cars, while our cheese was waiting until certain days to get this service.

I will say this, if I was able to give service like the packers on perishable goods, I could double my sales of such items, and I would not ask to have unperishable items included like they do; of course, that's their graft, that's how they got their line into the most of the stores; they boast they are the biggest handlers of this and that and they sell to R. M. & Co., and so forth. Altogether they are unfair competitors.

Yours, very truly,

A. J. BISCHMAN.

An advantage which the packers have in the minimum car is this: For instance, they ship a 10,000-pound minimum car to Milwaukee, Wis. The freight on fresh meats in that minimum car is $37\frac{1}{2}$ cents. It costs them for 10,000 pounds \$37.50. On groceries, 15,000 pounds, the average is 22 cents, making the cost only \$33.

But when packed with other items, packing-house products which take a lower rate, if, in that same 10,000 pounds only 3,000 pounds of dressed beef was included at the high rate, it would be \$11.25 for the beef, and on all other packing-house products, including smoked meats and groceries, 7,000 pounds at the 22-cent rate, or \$15.40, which would make the total \$26.65, as against a shipment by the grocers in order to get a refrigerator car of 1,000 pounds of cheese and 14,000 pounds of other goods, the cheese taking a $31\frac{1}{2}$ -cent rate, or \$3.15, and the 14,000 pounds taking a 22-cent rate, or \$30.80; a total paid to the railroad by the grocer of \$33.95 and a total paid by the packer of \$26.65, or \$7.30 less revenue that the railroad receives from the packer.

It is estimated the packer has approximately 10,000 peddler cars in service. All told, according to their reports to the railway commission, they have about 30,000 refrigerator cars, of which approximately one-third are used for peddler-car service. If 10,000 cars save \$7.30 each, that would be approximately \$70,000 on those cars for every movement they made, and if those cars moved 100 days in the year, it would be 100 times that amount, or about \$7,000,000 that the

railroads receive less in carrying the packers' refrigerator cars than other like cars for other shippers.

Now, let us see how it figures out to the packers' advantage and how the railroads lose on the full carload shipments. A packers' minimum car is 30,000 pounds when containing packing-house products whereas all other shippers have a minimum car from 36,000 to 40,000 pounds. Take a movement of 240,000 pounds of freight. The railroad handles only six cars of 40,000 pounds for every other shipper, but it handles eight cars of 30,000 pounds for the packers. The railroad renders a third greater service on packers' cars but gets no more money. They handle eight cars with a lower minimum, and the only basis for that minimum is the fact that they have it for packing-house products.

Now, the packers realize that they must own the distributing cars for the peddler-car service. If owned by railroads they would lose the special privilege to every town and for any day, but would have to accept the regular schedule service of the railroads.

That is why they want to hang on to their private cars. Have you got that clear?

Mr. HAMILTON. Does this same minimum apply to refrigerator cars owned by the railroads?

Mr. BODE. If the packer calls for a refrigerator car from a railroad, the same minimum would apply; yes, sir.

Mr. HAMILTON. What is the reason for that?

Mr. BODE. The reason is this, with meat and packing-house products, like they did with the peddler cars, in order to move it quickly and save it from being held for heavier weights and to prevent longer delays, they said, "We will agree on a 30,000 pound minimum for packers' cars;" that is, for packing house products. When you take fresh meat alone, it is 20,000 pounds; that is, they move a 20,000-pound car loaded with fresh meats. When they include what they call packing-house products, it runs that up to 30,000 pounds. That means smoked and cured meats and everything of that kind.

Now, the big or the special feature I call your attention to on that minimum car for the packer is this: If they go into the rice business, or the coffee business, and these other businesses, they can load a car with rice and put in one box of meat, not fresh meat, mind you, but just any kind of meat, and they can get the 30,000-pound minimum car rate by calling it packing-house products. If the wholesale grocers want to ship a carload of rice we have to put in 40,000 pounds. The railroads would not accept our car and give us the carload rate unless we put 40,000 pounds in the car. On the other hand, if the packer would ship 30,000 pounds of rice, or 29,950 pounds of rice and a 50-pound box of meat he would get that put through as a meat car or a packing-house car, and would get the low minimum of 30,000 pounds.

Mr. HAMILTON. Would you get the same rate if you put in 30,000 pounds?

Mr. BODE. Yes, sir; now. We have done that, and for two years we tried it out. We got onto their scheme and tendered such cars to the railroads, and they refused them. Since then, when we want to ship a commodity in a full-carload way we get the 30,000-pound rate by simply putting a box of meat in. Now, gentlemen of the committee, that is all nonsense.

As I say, the packers realize they must own distributing cars for peddler-car service. If owned by the railroads they would lose the special-service privilege to every town and for any day, but would have to accept the regular schedule service of the railroads. That is why they want to hang on to their cars. Refrigerator peddler meat cars requiring special service, when tendered to a public carrier by a packer of meats, should be used for fresh meats only when carrying a low minimum; that is, if they want the low minimum of 10,000 pounds. Refrigerator cars for full carload shipments, when carrying a low minimum, should be used for fresh meats only, and allow them to get the minimum of 20,000 pounds. If loaded with fresh meats and other meats requiring refrigeration, carrying a minimum of 30,000 pounds, no other perishable or nonperishable goods should be loaded in the car.

Mr. DECKER. If the railroads owned these cars that wouldn't be enough, would it? The Interstate Commerce Commission would have tonnage rates, wouldn't it?

Mr. BODE. Oh, no; it wouldn't make any difference whether the railroads owned them or not, the minute private-owned cars are tendered to a railroad a railroad must give it the same service they have arranged for. Is that the point you want to make?

Mr. DECKER. Perhaps I had better wait until you are through. It occurs to me it would require more than that. Just to turn a refrigerator car over to a railroad wouldn't settle that question then.

Mr. BODE. No; my view is this: Let the packers own the private cars, but when they tender them to a railroad, let them become public carriers and open to the public. For instance, I believe that the special service of these peddler cars has put the small interior butcher out of business. If that car were not for the sole benefit of the packers, and were loaded only with fresh meats to give the consumer the was open to the local butcher for his meat to be delivered en route, was open to the local butcher for his meat to be delivered en route, Mr. Large Packer would have no advantage over the local packer. But by reason of the ownership of these private cars the larger packers have had a service that was denied the little local packer or butcher, and he has been restricted to his own particular zone, that he could deliver to either by wagon or take the chance in a box car. He has had no refrigerator cars. Or if the railroad refrigerator car came along, in the hot summer months, or in the cold wintertime, he put his meat in there, but he did not have the same schedule service the packers' cars had.

My contention is that the minute the packer tenders his car to the railroad that car should become the property, for the time being, of the railroad, and subject to public use, the same as any other car owned by the railroad.

In the testimony before this committee by Mr. L. D. H. Weld that was reported, he said, if he is quoted correctly:

Many small packers have testified before the committee that they have no complaint to make concerning the operation of the stockyards, and that they are doing a prosperous business; that there is no need for the proposed legislation to take over the refrigerator cars and stockyards, in which the large packers are interested. The principal reason the packers are interested in these facilities is to secure adequate and efficient service. Under no system of Government ownership or railroad ownership could the service be as efficient as it is now.

If you will analyze and regulate this railroad proposition, they would not be rendered the service that would let them grow to where they have. We do not deny their growth and do not want to stop them, but give us an even break, that is all; give us a fair show.

Now, last winter, especially due to the fact that the Government had great need for refrigerator-car service, the railroads could not give us any service at all, practically speaking. There was never a day, however, when the packers were denied a minute's service. And the reason given us by the railroads why they could not render us refrigerator-car service for our perishable goods was, they said, they were obliged to deliver their refrigerator cars to the packer, so that the packer could put Government meat into railroad cars, and the packers saved their own cars for their own customers. In that way their service to their customers was uninterrupted and we lost our business.

Mr. MONTAGUE. That was done by the railroads?

Mr. BODE. Yes, sir; by the railroads.

Mr. MONTAGUE. And the railroads were under the control of the Government?

Mr. BODE. The railroads are under the control of the Government; yes, sir. Whenever the packer wanted a car for Government service for the transportation of meats, he called upon the railroad for a railroad refrigerator car and did not use his own car. He used his own car for the transportation of his own meat.

Now, to illustrate to what intensive loading refrigerator cars are subjected to, here is a copy of a bill of lading that went to Memphis from Libby, McNeill & Libby. It had 25 boxes of pork, 600 boxes of salad dressing in glasses, 200 boxes of mustard, 123 boxes of pickles, 50 half barrels of pickles in bulk, 10 barrels of pickles in bulk, 300 boxes of fruit butter, and 500 boxes of jelly in glass. The total tonnage was 69,263 pounds. Yet there was only 25 pounds of pork in that car from Chicago to Memphis, and it received 100 per cent refrigeration. There was an absolute waste of ice, besides the other situation about which I have spoken.

Mr. PARKER of New Jersey. Twenty-five pounds or 25 boxes of meat? I mean pork.

Mr. BODE. Twenty-five boxes of pork.

Mr. DECKER. And that was the only part that needed refrigeration?

Mr. BODE. Yes, sir.

Mr. MONTAGUE. How much was the weight of that?

Mr. BODE. Twenty-five boxes of pork, I suppose, weigh 100 pounds to the box, and would be about 2,500 pounds. Or it might have been 5,000 pounds, but I wouldn't say that, and would think only 2,500 pounds.

Mr. MONTAGUE. What is the proportion in bulk?

Mr. BODE. It would be about $3\frac{1}{2}$ per cent.

Mr. MONTAGUE. In bulk?

Mr. BODE. Yes, sir.

Mr. MONTAGUE. That is, the space occupied?

Mr. BODE. Yes, sir; it took about that much space, but required 100 per cent refrigeration for the car.

Mr. DECKER. How much space would it take in the car?

Mr. WINSLOW. I suppose he means cubic feet of contents.

Mr. MONTAGUE. Give us both the weight and the number of cubic feet of space it took up.

Mr. BODE. A pound is a pound whether in one thing or another. It was 2,500 pounds against 69,263 pounds, and would take about 2 or $3\frac{1}{2}$ per cent of the space. That received the meat service, you understand.

Mr. WINSLOW. Mr. Chairman, do you want us to ask questions of the witness now?

The CHAIRMAN. No; let him get through.

Mr. WINSLOW. All right.

The CHAIRMAN. Proceed, Mr. Bode.

Mr. BODE. There is a proposition in the meat business that your attention ought to be called to. For instance, in the grain line they have what they call milling-in-transit rate with the railroads. The milling-in-transit rate means wheat or corn can be stopped in transit and then carried on to some common center and, while stopped, it can be put into another form—that is, made into flour and the flour carried on to a common center at the same rate.

Mr. HAMILTON. Please state that again.

Mr. BODE. In the railroad service they have what they call a milling-in-transit rate. We could ship wheat to Minneapolis and then deliver it in the form of flour to Chicago and it would carry the same rate on the finished product that the original wheat would carry if shipped direct to Chicago. Now, the packers have what they call, or what I term, a “killing-in-transit” rate. If they ship cattle to Chicago from Omaha it would cost them 29 cents per 100 pounds. If they ship fresh meat to Chicago from Omaha as fresh meat it would cost them $56\frac{1}{2}$ cents per 100 pounds. If I am in error, I would like to have Mr. Berry correct me. Mr. Berry, will you make a statement on that, please?

Mr. BERRY. The rate on live stock and the rate on meat is just the same from Omaha to Chicago. That is made on account of what they call the commodity rate, known in railroad parlance as the commodity rate. It is less than the rate on a similar shipment if it were subject to the regular classification and tariff. The regular classification and tariff, as known in railroad circles, would carry with it a rate of $56\frac{1}{2}$ cents. But they have made a special rate of 29 cents, which is the same rate as the live-stock rate.

Mr. BODE. So they are able to ship a full carload of fresh meat, after killing the cattle, on a 29-cent rate. Is that right, Mr. Berry?

Mr. BERRY. Yes, sir; exactly the same rate.

The CHAIRMAN. You call that a killing-in-transit rate?

Mr. BODE. Yes, sir; I call that a killing-in-transit rate.

The CHAIRMAN. Go ahead.

Mr. BODE. Now, the advantage that the packer has along that line is this: I was chairman of what was called the uniform tares committee of the National Wholesale Grocers' Association, and had up a matter to which I will refer. For years prior to the inauguration of the Bureau of Chemistry in the Department of Agriculture that committee handled grocery matters and all matters relating to foods, and a lot of evils had developed in the trade, such as selling goods gross for net weight. Sugar used to be sold as a 100-pound bag, and billed out as a 100-pound bag, but there would be 99 pounds of sugar and a 1-pound bag. Rice was sold in the same way—

Mr. MONTAGUE (interposing). What was the other thing sold in the same way?

Mr. BODE. Rice. It was sold as 100 pounds of rice, but as a matter of fact there were 99 pounds of rice and a 1-pound bag. Beans were sold in the same way. A 160-pound bag of beans would be billed out at gross weight instead of net weight.

The grocery trade, after having a conference with the food department inaugurated a department or a committee called the uniform tares committee of the Wholesale Grocers' Association. I was put in charge of that to correct all these evils. I was able in the course of five years to correct practically all the evils of the trade, so the goods were sold at net weight. But when I ran up against the packer I ran up against the hardest proposition I ever ran up against in my life. They were selling wrapped hams and bacon at gross for net.

Mr. HAMILTON. Selling what?

Mr. BODE. They were selling wrapped hams and bacon; that is, hams and bacon cured and smoked goes to the trade wrapped up. It is wrapped up in a package, the smallest wrapper weighing, say, three ounces, up as high as one pound. The wrapper that weighs a pound is usually a burlap wrapper, and is subject to a wash of paint and asphaltum to keep what they call skippers out in the product, and its weight was usually a pound. I went to the packers and I said, "Here now, according to the rules and regulations of the department at Washington, we want you to bill this at net weight." They said, "Oh, no; we can't do that." "Why," they said, "look at the law. The law says, 'If in package form it shall be marked with the net weight of its contents.'" They said, "We can not put net weight on there. We are going to sell it at gross for net." I said, "Here, the paper only costs you 3½ cents a pound,"—and ham and bacon at that time were selling at about 20 cents—"and you are selling paper and wrappers at a very high rate." They said, "We are privileged to do that." So we had a hearing on this question in Chicago, and also had one here in Washington, and it appears that it was declared in a ruling in Nebraska, by the judges of the Supreme Court of Nebraska, that wrapped ham and bacon was not in package form, and therefore did not require the net weight. Well, we came on to Washington and had a hearing before the Solicitor of the Department of Agriculture, Mr. Caffey, and that hearing continued for a day and a half, or about two days, and we put in evidence of all the wholesale grocers in the United States, members of our organization, a thousand in number, and every one of them declared unanimously that wrapped hams and bacon were in package form. We had 30,000 members of the retail grocers' association, and every one of them declared that hams and bacon were in package form. The butchers said the same thing. The hearing concluded in March, 1916, and a decision was rendered by the solicitor in August, 1917, a year and a half afterwards, and then they found that hams and bacon when wrapped were not in package form.

The CHAIRMAN. Who was the solicitor of the Department of Agriculture?

Mr. BODE. Yes, sir. And Mr. Gregory put it up to Mr. Houston, and Mr. Houston issued notice to the world that wrapped hams and bacon were not in package form.

Mr. MONTAGUE. Like a bag of sugar, say?

Mr. BODE. Oh, yes, sir; everything. The law says if in package form it shall bear the net-weight marking. All we asked them to do was to put the tare weight on the package whenever it was sold in commerce, whether sold by the jobber, distributor, or retailer, to put that package on the scales and take off the tare, and the net weight was always ascertainable.

Mr. HAMILTON. Did not the local grocer do the same thing when he sold to the consumer?

Mr. BODE. They used to do that, but not to-day. You will find prosecutions every day in every large city in the country, and everything is sold according to net weight. Butter used to be sold, before it was sold in packages, out of a tub. They would have a wooden dish, and would put the dish on the scales and then weigh the butter in the dish, and the butter was sold at so much per pound. The Government stopped that very quickly, and now they have to put an extra dish on the other side of the scales, and the result is that everything to-day is honestly sold, and in accordance with these rules and regulations the customer and the consumer get what they buy, except in the case of hams and bacon. With reference to them, they are still paying at the present time from 35 cents to 50 cents a pound for paper that only costs, according to the testimony, 7 and 8 cents a pound. What I want to get is a rule declaring that ham wrapped and bacon wrapped is a package.

Now, gentlemen of the committee, that is my testimony.

Mr. MONTAGUE. Sugar in bags, do you call that wrapped?

Mr. BODE. I call it wrapped, but it has got to be——

Mr. MONTAGUE (interposing). It is usually referred to in the grocery trade as a package?

Mr. BODE. Yes, sir.

Mr. MONTAGUE. Is the wrapping around a ham or a shoulder or a piece of bacon referred to in the grocery trade as wrapping?

Mr. BODE. Every jobber in the United States and every retailer so declared it.

Mr. MONTAGUE. Before they so declared it, was it referred to among dealers as wrapping?

Mr. BODE. Oh, yes; when wrapped as a package.

Mr. MONTAGUE. I mean as a package.

Mr. BODE. Yes, sir.

The CHAIRMAN. Mr. Bode, while on that subject I want to ask you for a further explanation. I understand with all packages, and with all kinds of goods sold as packages and classed as packages, you can not sell anything more than the net weight of the goods—the contents within the package.

Mr. BODE. Yes, sir. In other words, they must be marked with the net weight or net contents.

The CHAIRMAN. A 1-pound package should have 1 pound of goods within the package, even if the packing might be 2 pounds?

Mr. BODE. Absolutely.

The CHAIRMAN. That is the way I understand it.

Mr. BODE. Yes, sir.

The CHAIRMAN. What distinguishing feature in the wrapping of bacon and ham would keep that general rule from applying to them?

Mr. BODE. The Lord only knows, except that the packers do not want to give it up; that is all.

The CHAIRMAN. And the Solicitor of the Agricultural Department, after studying a year——

Mr. BODE (interposing). A year and a half. He declared it was not a package.

The CHAIRMAN. He decided that it was not a package?

Mr. BODE. Yes, sir.

The CHAIRMAN. And therefore they continue to sell the wrapping around a piece of meat——

Mr. BODE (interposing). For meat.

The CHAIRMAN (continuing). At the same price they receive for the meat.

Mr. BODE. Yes, sir.

The CHAIRMAN. Because it was not a package.

Mr. BODE. Because it was not a package.

The CHAIRMAN. Do they hold also that 99 pounds of rice put in a 100-pound bag was not a package?

Mr. BODE. Oh, yes, sir; that was a package. But, of course, that question was not up at that time this other was settled. We had settled all those problems and we had cleared the atmosphere of all the evils of the trade.

The CHAIRMAN. By making everybody sell their goods at so much per pound——

Mr. BODE (interposing). Net weight.

The CHAIRMAN (continuing). Instead of so much per pound including the package.

Mr. BODE. Yes, sir. But, of course, we wouldn't consider it illegal if a man sold it as such.

The CHAIRMAN. I have just received a letter, and if the committee will excuse me a minute until I can go to my desk I want to bring it in and ask your explanation of it.

Mr. BODE. All right.

Mr. SWEET. While the chairman is getting his letter, did the Attorney General, Mr. Gregory, confirm that decision.

Mr. BODE. He wrote his opinion to Secretary Houston and Mr. Houston sent that world-wide, that wrapped ham and bacon were not in package form.

Mr. PARKER of New Jersey. Were any reasons given for that view?

Mr. BODE. Absolutely not.

Mr. MONTAGUE. How long was the opinion?

Mr. BODE. This was in August, 1917.

Mr. MONTAGUE. No; how long was the opinion that was rendered.

Mr. BODE. It was very short.

Mr. MONTAGUE. Just a finding.

Mr. BODE. Yes, sir.

Mr. MONTAGUE. No reason nor argument was given.

Mr. BODE. No, sir.

Mr. HAMILTON. Evidently that was along the line that sometimes it is inadvisable to give reasons for a conclusion.

Mr. BODE. I pressed them for a decision from month to month, and it took from March, 1916, when we concluded our evidence to August, 1917, to get the decision.

Mr. PARKER of New Jersey. And no opinion or reason whatever was given.

Mr. BODE. None.

Mr. SWEET. Did the Attorney General render an opinion?

Mr. BODE. He rendered one to the Secretary of Agriculture, Mr. Houston, but I think it was just simply to the effect that he found from the reports made to him by the solicitor, or words to that effect.

Mr. MONTAGUE. Then the moral of the story is that legislatures had better go very slowly on decisions of the Department of Justice and not take them as axiomatic.

Mr. BODE. Well, I would rather leave that to you gentlemen.

Mr. PARKER of New Jersey. Was there argument on this matter as to why it was not a package?

Mr. BODE. Yes, sir. As far as ham was concerned, that ham being a product of nature, it had such a devious form that when wrapped it would not be in uniform style, and therefore could not be termed a package. That was the only argument that was ever made.

The CHAIRMAN. Here is the letter that I referred to, which was received by me after Mr. Armour had been examined before this committee and I had no chance to submit it to him, and I did not submit it to any other packer witness before the committee because I thought perhaps he would feel embarrassed to make any statement about it as it was a matter referring to a transaction with Armour & Co. I did not answer the letter because I did not know how. This letter is from A. M. Ryan, groceries and provisions, 325 Park Avenue, corner of South Second Avenue, Mechanicville, N. Y., and is dated January 27, 1919. Why he wrote to me I do not know, except perhaps he thought I knew something about it.

The letter is as follows:

CHAIRMAN SIMS,

*House Committee on Interstate and Foreign Commerce,
Washington, D. C.*

GENTLEMEN: In looking over the inclosed bill of Armour Co., I find a notation saying that "All wrapped meats are sold at gross weight."

A short time ago I had occasion to be in a market, the proprietor of which had purchased of Armour & Co. one boiled ham, the weight charged on the bill being 13 pounds. Upon removing the wrapping of same, found net weight was 12 pounds 10 ounces, a shrinkage of 6 ounces. The ham was billed at 50 cents per pound, which would mean a loss of 18½ cents per pound, or in other words, was compelled to pay 18½ cents for the paper.

He took up the matter of reimbursement with a representative of Armour & Co., who informed him that reimbursement was impossible, as the ham was sold at gross weight.

I consider that this matter should be brought before your honorable body and a remedy for same effected as such occurrence eventually revert on the public.

Very truly, yours,

A. M. RYAN.

What have you to say about that?

Mr. BODE. I will say this, Mr. Sims, that New York State has a law which has declared that wrapped ham and bacon is in package form. In New York State everything is sold at net weight by the packers. Armour & Co. were prosecuted and fined for violating that

law, and at the present time in New York State I understand all packers are selling at net weight.

The CHAIRMAN. The slip from Armour & Co. is attached to this letter, and I will put it in.

(The paper referred to is as follows, that portion containing the articles sold to Ryan Bros. having been torn up before being sent to the Chairman:)

Bought of Armour & Co., 2612-2616 Sixth Avenue, Troy, N. Y.

Terms cash.

8-14-1917.

RYAN BROTHERS:

We guarantee to the purchaser of the articles of food described in this invoice that the same are not adulterated or misbranded within the meaning of the Federal food and drugs act of June 30, 1906, as amended, nor the laws of the State to which we ship the same. Package goods are sold at weight when packing; no allowance made for natural shrinkage. (Wrapped meats are sold by gross weight.)

What have you to say about that portion which the writer of the letter has underscored and which says, "Wrapped meats are sold by gross weight"?

Mr. BODE. Well, there is a law in the State of New York that compels net weight billing.

The CHAIRMAN. Well, now, then, that is along the line of just what you have been stating, that a ham weighing 100 pounds or less, although it had paper around it weighing 6 ounces or a pound, that wrapping was charged, so that it brought 18½ cents, and this ruling which you have spoken of enabled Armour & Co. to sell the wrapping paper along with the ham itself at 50 cents a pound.

Mr. BODE. Yes, sir.

The CHAIRMAN. What would that much paper cost a pound?

Mr. BODE. The testimony was that the wrapping cost from 3½ cents to——

The CHAIRMAN. I mean on this particular ham that weighed 12½ or 13 pounds. Can you estimate about how much the paper would cost?

Mr. BODE. How much the paper would cost?

The CHAIRMAN. Yes; that wrapped that particular ham.

Mr. BODE. At rate of about 5 cents per pound.

The CHAIRMAN. And he got 18 cents for the paper.

Mr. BODE. To elaborate to what magnitude that goes, back in 1916 when we had this testimony, the total product of hams wrapped aggregated—well, the difference between the cost and what the market was represented—\$7,000,000.

The CHAIRMAN. \$7,000,000?

Mr. BODE. Yes, sir; that is all.

The CHAIRMAN. I wanted to ask you about that, because I did not know how to answer this letter.

Mr. BODE. I may be mistaken in the figures, but it was up in the millions of dollars.

The CHAIRMAN. I want to ask you about the term "killing in transit rate." I understand somewhat the milling in transit matter, because there has been a case before the Interstate Commerce Commission and all the courts in the country with reference to milling in

transit privileges from Ohio River points, say, to Atlanta, Ga., and points in the southeastern territory, from Nashville, Tenn., and therefore I am familiar with it. The substance of that was that wheat could be shipped at regular carload through rates from the Ohio River points to Atlanta, Ga. I will use that case because I think I understand it, and think that is correct, isn't it?

Mr. BODE. Yes, sir.

The CHAIRMAN. But the wheat might stop in Nashville, Tenn., because Nashville is on the Cumberland River, a tributary to the Ohio River, and might stop there six months or any longer time, and it could be ground into flour and then the flour shipped to Texas and sold, or anywhere else; and an amount of flour equal to the flour produced from the wheat that had this milling in transit privileges, could be shipped into Atlanta on the through rate from the point on the Mississippi or Ohio Rivers, just as if it were the same identical wheat that had gone to Nashville. That is why I say I think I understand about that.

Mr. HAMILTON. What about the freight?

The CHAIRMAN. I am telling you what occurred before the Interstate Commerce Commission.

Mr. BODE. The same thing applies to corn products.

The CHAIRMAN. Although the flour from the wheat that started from the Ohio River never went to Atlanta, that gives the same privilege to some wheat that went from anywhere to Nashville in the matter of the finished product—flour—from Nashville to Atlanta.

Mr. BODE. Yes, sir.

The CHAIRMAN. That caused intermediate points to complain. I wanted to ask you about that.

Mr. BODE. Corn products get the same benefit of that proposition in making corn sirup. For instance, corn is delivered at Davenport, Iowa, and is manufactured into glucose or syrup and put in cans, and comes through to Chicago and other points on the milling in transit rate.

The CHAIRMAN. That is, the sirup itself

Mr. BODE. Yes, sir. And killing in transit does the same thing.

The CHAIRMAN. I did not know whether killing in transit was analogous in all respects to milling in transit which I have mentioned.

Mr. BODE. Yes, sir.

The CHAIRMAN. On the class rate from Omaha, was it?

Mr. BERRY. From Kansas City or Omaha, either one.

The CHAIRMAN. From Omaha to Chicago, it was how much?

Mr. BERRY. 56½ cents for dressed beef.

The CHAIRMAN. What was the other rate?

Mr. BERRY. The cattle rate was 29 cents, by commodity tariff.

The CHAIRMAN. That is, dressed beef?

Mr. BERRY. Yes, sir.

The CHAIRMAN. The class rate would be 56½ cents?

Mr. BERRY. Yes, sir.

The CHAIRMAN. But sent as a commodity it would be what?

Mr. BODE. 29 cents.

The CHAIRMAN. Did these cattle stop anywhere between Omaha and Chicago?

Mr. BODE. They are killed in Omaha.

The CHAIRMAN. They are killed in Omaha?

Mr. BODE. Yes, sir; and the beef shipped from there on at 29 cents.

The CHAIRMAN. Where does the killing in transit feature come in?

Mr. BODE. If the cattle were shipped to Chicago instead of being stopped off at Omaha, the cattle would only cost 29 cents, and going in this way—

The CHAIRMAN (interposing). Well, then, the cattle were shipped from a point beyond Omaha?

Mr. BODE. Yes, sir; outside of Omaha.

The CHAIRMAN. And killed in Omaha?

Mr. BODE. Yes, sir.

The CHAIRMAN. And then the meat from the cattle was shipped on to Chicago?

Mr. BODE. Yes, sir; and on this plan they take the 29-cent rate.

The CHAIRMAN. The commodity rate on beef?

Mr. BODE. Yes, sir.

The CHAIRMAN. The class rate on cattle?

Mr. BODE. No, sir; the class rate on beef.

The CHAIRMAN. I thought the class rate on beef was 56½ cents?

Mr. BODE. I will ask Mr. Berry if he has the tariff there.

Mr. SWEET. While Mr. Berry is looking up the tariff let me ask: If the beef were shipped through, it would be at the rate of 56½ cents, but if killed, in transit it gets a rate of 29 cents, whether beef or live stock?

Mr. BERRY. Yes, sir.

The CHAIRMAN. That is what I am trying to find out.

Mr. BERRY. I will try to clear that up for you: The rate on cattle from Missouri River points—and when I say Missouri River points I mean towns on the river up from Kansas City to Sioux City—all have the same rate coming to Chicago, which is 29 cents.

The CHAIRMAN. For cattle?

Mr. BERRY. Yes, sir.

The CHAIRMAN. That is the class rate?

Mr. BERRY. No, sir; that is the regular live-stock tariff rate. And the rate on hogs is the same. The rate on the finished product is just the same as it is on the live product. There is no difference in that respect. You can ship the live product or you can ship the dressed product at the same rate by virtue of the commodity rate that was established on the finished product to equal the live-stock rate.

The CHAIRMAN. But where does the killing in transit come in?

Mr. BERRY. I can answer that, but inasmuch as Mr. Bode is on the stand, perhaps he will do it.

Mr. BODE. You go ahead.

Mr. BERRY. Well, while the railroad companies do not adopt the term, that is a term adopted by Mr. Bode, because it has the same effect as your milling-in-transit rate, because there is no difference between the rate on the live product and on the finished product. It is just as much a killing in transit as wheat from Ohio River points to Atlanta, Ga., stopping off at Nashville to be milled is a milling-in-transit rate, because there is no difference in the rate between Missouri River points and Chicago on the live and the finished product. On the other hand, if that stuff moves in another direction, we will say from Iowa points to Indianapolis, Ind., via Chi-

cago, and was killed in Chicago, the rate on the finished product would be much higher because using the live-stock rate to Chicago and the dressed-beef rate from Chicago to Indianapolis. That is, it would be higher proportionately because of the higher rate from Chicago to Indianapolis on the dressed stuff than on the live stuff.

The CHAIRMAN. In other words, they wouldn't take dressed meat from Omaha to this place below Chicago that you mention—what place was it?

Mr. BERRY. Indianapolis.

The CHAIRMAN. They would not take dressed meat from Omaha to Indianapolis, Ind., for the 29-cent rate? You could not ship meat from Omaha or Kansas City direct to Indianapolis at that rate?

Mr. BERRY. Well, it would take the 29-cent rate to Chicago and the class rate beyond.

The CHAIRMAN. Well, we will call it the local rate.

Mr. BERRY. Yes, sir.

The CHAIRMAN. But by shipping to Chicago, Chicago gets the meat at the 29-cent rate—the packers or whoever may get it in Chicago. Therefore—

Mr. BERRY (interposing). But they must pay on the rate to Indianapolis on the dressed commodity.

The CHAIRMAN. It would be at the first rate to Chicago—that is, 29 cents—but to Indianapolis it would be the Chicago rate plus the rate through Chicago to Indianapolis.

Mr. BERRY. On the class rate.

The CHAIRMAN. The 29 cents as a commodity rate, but the other would be the class rate from Chicago to Indianapolis.

Mr. BERRY. Yes, sir.

The CHAIRMAN. But if the same meat came directly from Omaha to Indianapolis, if Indianapolis were given the same advantage that Chicago has, then Indianapolis would get the 29-cent rate directly from Kansas City or Omaha. If she got in, she would get it in that way.

Mr. BERRY. She can only get off by using this partly less than class rate; that is, a combination of the 29-cent rate to Chicago plus the rate to the other place.

The CHAIRMAN. I mean if meat is shipped from Omaha to Chicago as live stock and dressed meat to Indianapolis, Indianapolis would have to pay from Omaha to Chicago the 29-cent rate plus the class rate from Chicago to Indianapolis.

Mr. BERRY. Yes, sir.

The CHAIRMAN. And if it is shipped from Omaha to Indianapolis as dressed beef, it might come through in a car and never go through Chicago at all, yet that is the best rate they would get.

Mr. BERRY. Yes, sir.

The CHAIRMAN. That is what I am trying to understand. Therefore it is analogous to the killing of meat in transit at Chicago.

Mr. BERRY. Yes, sir.

The CHAIRMAN. In other words, they get the live-animal rate to Chicago and then get the dressed-meat class rate from there to Indianapolis?

Mr. BERRY. Yes, sir.

The CHAIRMAN. So, then, Indianapolis is having to pay more proportionately?

Mr. BERRY. Yes, sir.

The CHAIRMAN. That is, the class rate from Chicago to Indianapolis and the commodity rate part of the way plus the class rate?

Mr. BERRY. Yes, sir.

The CHAIRMAN. I wanted to see if I understood that.

Mr. BERRY. Now, to give you the exact figures, take a shipment of cattle from Omaha to Indianapolis; the through rate would be 49 cents.

The CHAIRMAN. As cattle or live stock.

Mr. BERRY. Yes, sir. Now, if you ship the finished product, it would be 66 cents as against 49 cents.

The CHAIRMAN. But Chicago gets the cattle at 29 cents.

Mr. BERRY. Yes, sir; and it gets the meat at 29 cents.

The CHAIRMAN. I mean, gets the meat at 29 cents and the cattle at 29 cents, and therefore cattle or meat coming from Chicago direct to Indianapolis could, of course, run out or undersell meat that has come directly to Indianapolis at either the 49-cent or the 66½-cent rate. It gives Chicago a decided advantage.

Mr. BERRY. Yes, sir.

The CHAIRMAN. There is one more thing I want to ask, and maybe you can answer it better than Mr. Bode, though I do not know. What is that Junction Railroad?

Mr. BODE. The Chicago Junction Railway Co.?

The CHAIRMAN. The Chicago Junction Railway Co. Is that a part of the Chicago Stockyards & Transit Co.?

Mr. BODE. It is the whole thing.

The CHAIRMAN. It owns it?

Mr. BODE. Yes, sir; it is the whole thing.

The CHAIRMAN. We had testimony about that, and I wanted to understand it. Now, the Chicago Junction Railway Co., which belongs to the stockyards company, if I understood you correctly, gives more expeditious service.

Mr. BERRY. On fresh meats to the packers in Chicago than it does to the wholesale grocers in Chicago on the same kind of goods.

Mr. BODE. It gives expeditious service for the fresh meat and grocery items.

The CHAIRMAN. That go in the same car?

Mr. BERRY. Yes, sir; and at no additional charge.

The CHAIRMAN. I want to know further, whether you know or not. The traffic men will perhaps know, and Mr. Bode may know, too. I want to know whether this Chicago Junction Railway Co. has a division of the through rate on goods billed out of Chicago in the trunk-line railroads.

Mr. BERRY. They have.

The CHAIRMAN. It has a division of the rate?

Mr. BERRY. Yes, sir.

The CHAIRMAN. Do you know what that division is?

Mr. BERRY. I did know at one time, and then it was 5 cents per hundred on this peddler-car service, if you please.

The CHAIRMAN. On the peddler-car service?

Mr. BERRY. Yes, sir. That was prior to June 25 last, and all rates went up 25 per cent. Prior to that the Junction Railway on merchandise handled by them for the trunk lines, the revenue was 5 cents.

The CHAIRMAN. Of the through rate?

Mr. BERRY. Yes, sir.

The CHAIRMAN. They got that in view of the service they rendered to the Chicago Stock Yards Co., the Union Stock Yards Co.

Mr. BERRY. No; that was their revenue.

The CHAIRMAN. They got from the railroads this division of the through rate which went beyond the stockyards or the rail lines of this Junction Railway Co.?

Mr. BODE. That is true.

The CHAIRMAN. They got a part of the line haul through rate?

Mr. BODE. Yes, sir; it was like the Belt Line. They received a share of the Belt Line haul.

The CHAIRMAN. They got their share of it. And that is not strictly and literally a stockyards service, is it—I mean the haul?

Mr. BERRY. Well, it would be what we term a belt-line revenue, or a small-road revenue, the same as the Indiana Harbor Belt Railroad, which would receive the same thing for a like service.

The CHAIRMAN. And therefore that stockyards company, by reason of this Junction Railway, comes under the jurisdiction of the Interstate Commerce Commission of the United States?

Mr. BERRY. They do; yes, sir.

The CHAIRMAN. And is therefore a railroad or transportation facility per se.

Mr. BERRY. It is.

Mr. BODE. They are rendering service to other industries.

The CHAIRMAN. This division of the through rate shows, as a matter of fact that it is performing part of the through service.

Mr. BODE. Yes, sir.

Mr. BERRY. They are governed by the United States Railroad Administration.

The CHAIRMAN. In other words, they are doing interstate transportation service.

Mr. BERRY. Yes, sir. .

The CHAIRMAN. I want to ask you, as a traffic man, or both of you, if you understand it, if to the extent this Chicago Union Stockyards and the Chicago Junction Railway Co., if to the extent it performs transportation service, that service could not be performed as expeditiously and as well by the railroads themselves. That is, could they not own all of it and perform the transportation service part of it, not the marketing feature, but the transportation part of it—

Mr. BERRY (interposing). By the trunk lines, do you mean?

The CHAIRMAN. Yes; just as well as it is done now. Could they not do it? I do not say they would do it, but is it not feasible?

Mr. BODE. If they have the terminals, I would answer yes. But there would have to be one organization which would have supervision over the operation of all the movement made by the Chicago Junction Railway. For operating reasons only no train is allowed to go in on the Junction Railway without a pilot or a schedule applying to that particular road. To explain, the Chicago, Milwaukee & St. Paul Railroad will come down with a trainload of live stock, or the Chicago & Northwestern Railroad with the same number, or the Chicago, Burlington & Quincy. or the Rock Island. There are approximately 200 trains to go on the Junction Railroad for the purpose of unloading stock. All these railroads, as testified here, use their

own power and their own cars to get into these stockyards. Without a head to the arrangement they could not operate, for the reason that they have to have schedules to operate on. It is just for the same reason that you could not go on the street car tracks here in Washington with your own car and operate it without a schedule.

The CHAIRMAN. I only refer to the ownership.

Mr. BERRY. Well, there is no reason why the trunk-line railroads could not own the Chicago Junction Railway Co., because the trunk lines own the Indiana Harbor Belt Railroad, and I happen to know about that personally, and to know that the Chicago, Milwaukee & St. Paul Railroad and the Chicago & Northwestern Railway Co. and the New York Central Railroad Co. own equal shares of one-third satisfactory service?

The CHAIRMAN. The railroads own that absolutely and are giving satisfactory service?

Mr. BERRY. They are.

The CHAIRMAN. And are not inherently incapable of doing so.

Mr. BERRY. No, sir.

The CHAIRMAN. Now, do stockyards generally, everywhere, get a division of the through rates to and from these points?

Mr. BODE. The only place I know of is the Union Stockyards at Chicago.

The CHAIRMAN. That is the only one.

Mr. BODE. Yes, sir. And the charge there is \$2 if the stock are delivered at the stockyards. At South Omaha or Sioux City it is done by the terminal company without any extra charge.

The CHAIRMAN. The railroads make these commodity rates?

Mr. BERRY. Yes, sir.

The CHAIRMAN. They make all rates?

Mr. BERRY. Yes, sir.

The CHAIRMAN. They change from commodity to class as it suits them?

Mr. BERRY. Yes, sir.

The CHAIRMAN. Now, then, the Chicago Stockyards by reason of this rake-off, or whatever it is, of the through rate, don't they have an advantage over other stockyards in the United States that do not have a similar privilege?

Mr. BODE. Yes, sir; and that only applies to live stock, that is the extra \$2, for the reason you can secure the benefit of the Chicago Junction Railway Co. on the finished product, the packers can, or any merchandise that is handled from any industry, on the Chicago Junction Railway, from or to any point in the United States, without extra charge, but when it comes to live stock there is an extra charge of \$2 attached to the service, which the shipper must pay for. It is deducted from his sales bill by his commission man.

Mr. MONTAGUE. \$2 what?

Mr. BERRY. \$2 per car.

The CHAIRMAN. It is now nearly 1 o'clock, and Mr. Bode is the only man who has been before us on this very interesting question, and I wish to ask a few more questions so as to understand it better, and I will ask Mr. Bode to come back at 2 o'clock. The committee will now stand recessed until 2 o'clock.

(And, at 1 o'clock p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee resumed, pursuant to the taking of recess, at 2.45 o'clock p. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order.

STATEMENT OF MR. WILLIAM F. BODE, VICE PRESIDENT REID, MURDOCH & CO., CHICAGO, ILL.—Continued.

The CHAIRMAN. Mr. Winslow, you come next in order to ask questions.

Mr. WINSLOW. Mr. Bode, what was the name of your concern when they incorporated?

Mr. BODE. Reid, Murdoch & Co.

Mr. WINSLOW. And you incorporated when?

Mr. BODE. Eighteen hundred and ninety-one. We were a firm before that time.

Mr. WINSLOW. When was that firm started?

Mr. BODE. Eighteen hundred and fifty-three; it started as Reid & Murdoch.

Mr. WINSLOW. And what business did they do as a firm up to 1891?

Mr. BODE. The same business, wholesale groceries and manufactures.

Mr. WINSLOW. Were they manufacturers from the start?

Mr. BODE. No; they were principally wholesale grocers at that time; they may have roasted some coffees or done something of that kind.

Mr. WINSLOW. Do you happen to remember about the time they began to be manufacturers?

Mr. BODE. I think about 1884.

Mr. WINSLOW. What did they take on to manufacture?

Mr. BODE. They took on jams, preserves, jellies, and dried fruit. They took the original products from California and packed them into packages.

Mr. WINSLOW. Did I understand you to pass any criticism on the packers because they seemed to take on business not immediately analogous to the packing business?

Mr. BODE. Oh, no; we do not deny them that right.

Mr. WINSLOW. At the present time you are manufacturers of food-stuffs?

Mr. BODE. Foodstuffs, excepting meat products; we do not manufacture meat products.

Mr. WINSLOW. You are wholesale grocers?

Mr. BODE. Yes.

Mr. WINSLOW. Do you sell anything to the packers?

Mr. BODE. Once in a while they may want a car of raisins or a car of some product that they use in connection with their own products. For instance, they make mincemeat, and we may have a car of raisins or a car of currants and they may buy that product for their mincemeat.

Mr. WINSLOW. Would you hesitate to sell them anything they wanted to use for resale or otherwise.

Mr. BODE. You mean, would we hesitate to sell them anything?

Mr. WINSLOW. Yes; as a matter of business policy?

Mr. BODE. We would sell them anything we have, except our own brand—anything that was of a public, general nature.

Mr. WINSLOW. Anything except what was to be put under your label?

Mr. BODE. We would not sell those products.

Mr. WINSLOW. But you would sell as jobbers from a manufacturer?

Mr. BODE. Anything we make, excepting products that would be in competition with ourselves. For instance, anything for their own use that they needed in connection with the manufacture of meats—of mincemeat.

Mr. WINSLOW. Would you sell them for resale?

Mr. BODE. Where it was in direct competition with us, I doubt whether we would or not. It is a commercial proposition. It might be entirely possible we would sell them a car of canned goods simply because they were in that business.

Mr. WINSLOW. But they have to go to manufacturers for a lot of goods they sell as jobbers; why not come to you whom are manufacturers of those things?

Mr. BODE. They would not buy our manufactured products; they would buy their products from the sources of supply, like the canners, or they would manufacture them themselves, like they have done.

Mr. WINSLOW. Of course, those are possibilities, but I want to know what your attitude as a manufacturer of a jam or a jelly would be in respect to selling them to any jobber for resale purposes.

Mr. BODE. No; we would not have any product to sell them, because all we manufacture is for our own trade.

Mr. WINSLOW. That, again, is a very pleasant avoidance of my proposition. I know you do not mean to avoid it, but what I want to get at is whether there is anything in your business policy that would make you unwilling to sell to them for resale purposes?

Mr. BODE. We would sell anything where there is a profit, unless it was our own brands, and those goods would get into competition with us. They have come to us to buy a carload of cheese, and we have sold them a carload of cheese; and we have bought cheese from them, because they are in the trade.

Mr. WINSLOW. To sum it all up, you do not have any prejudice against what they sell or how they sell it?

Mr. BODE. None whatever.

Mr. WINSLOW. Then we can eliminate that?

Mr. BODE. Oh, yes.

Mr. WINSLOW. What would you have the committee understand as your real interest in this bill, boiled down?

Mr. BODE. Our interest in the bill is based upon the desire to have the service by public-service agents rendered uniform to all business; in other words, no special privileges to any.

Mr. WINSLOW. Well, of course, that is all right, but what we are considering is this bill, which you have probably read.

Mr. BODE. Yes, sir.

Mr. WINSLOW. Now, are you in favor of this bill as it is written, or any part of it?

Mr. BODE. Well, I would not like to pass judgment on what might be termed for the best interests of all. If you gentlemen deem it is to the best interest of all to have that bill, I am in favor of it, although I think that anything that pertains to Government ownership of commercial enterprises might not be to the liking of the public generally. I think a bill should be constructed that would regulate rather than own and control.

The CHAIRMAN. As a matter of fact, Mr. Winslow, you do not have to vote on this bill, as a whole. We can bring out any part of it or put in a new one.

Mr. BODE. That is my private opinion.

Mr. WINSLOW. I wanted to get the gentleman's view. Would you have us infer that you did not come here to advocate Government ownership?

Mr. BODE. No; I have been called here by the Federal Trade Commission to give evidence of our experience with the competition of the packers, and I want this committee to understand that our full investigation and experience with the competition with the packers have demonstrated clearly that the special favors they receive from railroad service is responsible entirely, in our judgment, for their growth and for their harm to our business and taking our business away from us. When I say our business, I mean simply the privilege of serving the public.

Mr. WINSLOW. Would it be fair to ask you if your only interest in this bill at this time is in respect of private-car service allowed to packers and many others?

Mr. BODE. My special interest is to give this committee all the facts that I have got, based on my personal knowledge and experience with their competition.

Mr. WINSLOW. And you do not come here in favor of the bill, but only to give information?

Mr. BODE. I do not come here in favor or against, excepting I would like to see the best legislation for the good of all created.

Mr. WINSLOW. You do not criticize anything that the packers have now: you do not see any reason why they should not have it, as far as they are concerned?

Mr. BODE. Yes; I do. As I said before, I do not want them to have a special favor from a public corporation that gives them an advantage over everybody else.

Mr. WINSLOW. Let us go at that in another way. You have no objection in the slightest to their having all under heaven if other people can have as much: is that right?

Mr. BODE. Well, that might be subject to analysis. For instance, they got special service for meats, and they used that special service to distribute other products which are not necessary, and therefore they are interfering with the advantages that the special service for meat requires. I say cut it out, because it really interferes with the service for meats. I would not ask, I would not want, the railroads to give my goods the service that they give to meats, because I do not think it is necessary to distribute them that quick. I think I can rely on the customary service that the railroad business renders to carry on my trade successfully. I want the packers, except as to meats, restricted as to that same uniform service. I do not want them

to have an advantage over me or anybody else in my line or in any other line. That is what I call an even shake, or a fair break.

Mr. WINSLOW. Would it not be just as fair if we gave the same privilege to everybody else?

Mr. BODE. No; because I will tell you, as I said before, that if you make it a common practice to deliver everything with the expedited service, nothing would receive expedited service. Meats should have an expedited service. I recognize that.

The CHAIRMAN. Fresh meats?

Mr. BODE. Fresh meats. I eliminate all other products; but the fresh meats should have an expedited service. Then, I would like to see the same service rendered for meats, not to a few packers, but to all packers.

Mr. WINSLOW. We have had a great many packers say that they have not any fault to find at all; they are perfectly satisfied.

Mr. BODE. Sure; but what about the little local packer? He has not been up here. The larger packer has kept him in his particular zone.

Mr. WINSLOW. Well, we have had all comers. Why would not the little fellow come here if he had a grievance?

Mr. BODE. I do not know. I suppose he feels he can not afford to buy a car and have the railroads handle the car for him as the packer does.

Mr. WINSLOW. He goes further than that. He can get accommodations from these big fellows whenever he wants them, almost invariably, so he has suffered nothing.

Mr. BODE. He can not use their cars.

Mr. WINSLOW. Oh, yes.

Mr. BODE. Not to my knowledge.

Mr. WINSLOW. There has been testimony here to that effect.

Mr. BODE. I can not get my goods in the packers' cars if I want to.

Mr. WINSLOW. The little packer has said here in a number of cases that he could get accommodations from the big fellows, and a lot of them who had a small number of refrigerator cars said they could get further assistance from the big packer frequently.

Mr. BERRY. Let me explain that situation. The packers, as well as other private owners of refrigerator cars, have a somewhat interchangeable proposition, whereby they loan—that is, temporarily—these refrigerator cars one to the other. A small packer in the market for the service of a refrigerator car is quite often able to raise and pay the rental for a car which may belong to the packer, but he does not get it on the same basis as the packer, because he has to pay just that much more of rental in addition to the freight rate.

Mr. WINSLOW. How do you make that out?

Mr. BERRY. That is a matter of custom.

Mr. WINSLOW. That is a matter of business.

Mr. BERRY. That is a matter of business.

Mr. WINSLOW. The matter of business is that the packer has to support that car every mile he runs it and pay for the wear and tear on it. Why should he give it over to everybody at the same price it cost to run it himself any more than you would rent a house at the cost of keeping it?

Mr. BERRY. He should receive some benefit, of course, for the car.

Mr. WINSLOW. That is the point I want to bring up with Mr. Bode. When you compare the cost of transporting some of your wares a certain distance to the cost to the packer for transporting his, when you pay your freight rate to the railroad, that is the end of your cost for that transportation. When they pay the freight rate it is not the end of their costs; they have got to keep the cars up, and they have the wear and tear on the cars, and all that.

Mr. BODE. They get a cent a mile, both coming and going, and that is what every other railroad gets for the use of their car when the car of one railroad is on the line of another.

Mr. WINSLOW. Yes; but here is what you attempt to say, that the packing house owning a car has no expense other than the mileage of that car in order to keep that car in operation.

Mr. BODE. I am not going to attempt to say whether they make any money or not on the car. I do say that when they turn their car over to a public carrier they get special service that they are not entitled to.

Mr. WINSLOW. I am speaking about the transportation rates.

Mr. BODE. Well, the transportation rates are based entirely on the cost of service and the profit besides.

Mr. WINSLOW. As I remember your proposition, you paid a certain amount for carrying goods a certain distance, and you said that that was a good deal more than the packer paid?

Mr. BODE. Yes, sir.

Mr. WINSLOW. But by the time the packer gets his goods delivered over the same territory it has cost him more than that mileage you refer to, because he has had to keep up the car and you did not have to keep the car up?

Mr. BODE. But that is his own affair; that is not a public affair.

Mr. WINSLOW. But it enters into the cost of delivering those goods?

Mr. BODE. But the consumer pays the freight every time.

Mr. WINSLOW. In every case.

Mr. BODE. In every case, sure; but he gets a service. Look at what he gets.

Mr. WINSLOW. I grant the service. We do not need to spend time on that. I am talking about the cost.

Mr. BODE. But the particular service in addition that I referred to this morning is this: The packer delivers to 500 towns, as I stated, on the Illinois Central. I can only deliver to 33. He will pay a whole lot of premium for that privilege, will he not?

Mr. WINSLOW. He will, if he is wise.

Mr. BODE. Sure he will. The result of that service is what? The packer's car comes along right on the minute. The local man wants meat. I can not go into that town at all, so the packer asks the local man if he wants some cheese? "Sure; put it in the car." "Do you want some canned goods? Do you want some pickles? Do you want everything these fellows have added to their line?" "Sure; send it along in the car."

If 500 towns is the maximum on the Illinois Central, and 33 towns the maximum that I can deliver to, he has got 477 towns, and he would be very glad to pay a premium if he can get his goods in there

and I can not. I would like nothing better than to pay that premium myself.

Mr. WINSLOW. I think we can agree on that. What I am trying to find out is whether or not you want a bill passed to take these privileges away from the packer, or whether you want a bill passed to insure them to yourself?

Mr. BODE. No; I do not want to insure them to myself at all. In fact, I think I should not have it, unless the needs of the people require special service.

To illustrate, if sugar was a difficult thing to get hold of and to carry in stock, and it was a matter for daily delivery, then I think some special service ought to be rendered to deliver sugar; or if flour was a product that was difficult to keep and ought to have special service, then I think flour ought to have a special service. But when you take goods that are put up like the average canned goods are, or bottle goods, even though they are perishable, and affected by heat and cold, they should not have that service, because they are put in that position to keep, and they can wait the delay of the regular service by the railroads. Now, it is on that theory that I am arguing that the special service should be eliminated from all else but fresh meats.

Mr. WINSLOW. Well, is not that a reactionary attitude?

Mr. BODE. No; because——

Mr. WINSLOW (interposing). But you suggest cutting down the service which is serving the public rather than to lift the other up?

Mr. BODE. No; service is to the packer, not the public. The public is not served; the packer is served. The railroads are serving the packer, not the public.

Mr. WINSLOW. Well, if one organization can get supplies delivered in a town every day, and another one can only get them once a week, it seems to me that the concern delivering every day is serving the public.

Mr. BODE. Not on your life; they are serving themselves.

Mr. WINSLOW. Do you not serve yourself in every bit of business you do?

Mr. BODE. Of course, I do. My success is due to my efforts. Now, if I resort to or take advantage of the customary service rendered by public carriers, I have no advantage over anyone else.

Mr. WINSLOW. Do you not take every advantage that the law of the land and the railroads give you?

Mr. BODE. Sure I do.

Mr. WINSLOW. Do the packers take any more than that?

Mr. BODE. Yes; they do.

Mr. WINSLOW. What do they take?

Mr. BODE. They take the advantage, the special service the railroads give them, which they have no right to give them except for fresh meats.

Mr. WINSLOW. That is another proposition. They take what is coming to them. They can not make a railroad run an engine if it does not want to.

Mr. BODE. Well, I will not attempt to argue that, but I know they have encouraged the railroads to take their cars that were intended

for fresh meats, and load them with these other products that the service never was intended for.

Mr. WINSLOW. But who has committed the offense?

Mr. BODE. The railroads.

Mr. WINSLOW. Then, it is the railroads we are after and not the packer. If you come with me to the railroad, I will go with you.

Mr. BODE. I do not blame the packer for taking advantage of any legitimate proposition, but I say that service should be denied them. I do not blame the packer at all.

Mr. WINSLOW. Is not that, after all, the proposition of extending a like service to somebody else?

Mr. BODE. If you want me to analyze whether it is right or wrong, I would say I think it is wrong. I think that service is wrong, because the facilities are not sufficient to take care of the needs. When the railroads can not give me a refrigerator car to deliver my products to even the limited number of towns that it does to the packer upon the refrigerator car for a nonperishable article, it is utilizing a space that is depriving the public of a needed refrigerator service. There would be more cars available for the refrigerator service, public use, if the packer did not put these nonperishable goods and semi-perishable goods in those cars.

Mr. WINSLOW. How do you deliver your goods in the city of Chicago?

Mr. BODE. We have automobiles.

Mr. WINSLOW. Automobile trucks?

Mr. BODE. Yes.

Mr. WINSLOW. Do you hand them out to your neighbors to fill up any empty space you have around?

Mr. BODE. No; we do not.

Mr. WINSLOW. Of course not.

Mr. BODE. No; but we pay a license for the streets, and the railroads pay a tax.

Mr. WINSLOW. Yes; and the packers pay that mileage?

The CHAIRMAN. No; they receive the mileage. The railroads pay the packers a mileage going and coming.

Mr. BODE. The railroads pay the packers \$4 a car, as heretofore explained.

The CHAIRMAN. They pay freight.

Mr. WINSLOW. We will call it freight. I am wrong about that—they pay freight, do they not?

Mr. BODE. They pay freight, but because the packer furnishes the equipment he gets 1 cent a mile for them, loaded or empty, from the railroads.

Mr. WINSLOW. Would you let your neighbor use your automobiles on an arrangement of that kind, if he would pay you?

Mr. BODE. If I had them to spare I might do that; yes.

Mr. WINSLOW. That is a condition that seems to make the trouble. If I understand you correctly, you want to say to us that you are not interested particularly in having a like accommodation afforded other lines, but rather in shutting the packer off?

Mr. BODE. From the standpoint of fairness, the packer should not have a special service for anything but fresh meats.

Mr. WINSLOW. Well, I think that can be worked either way; but I really would like to get together with you, if I can, because I want to

know what you are after. If you insist that you do not care what happens to you at all, so long as the packer does not have any of these privileges, that is one point of view. If, on the other hand, you are willing that he should have all he can get, so long as you can get the same, that is another point of view.

Mr. BODZ. I would rather take it on the broad line that if I asked for those special privileges, and other jobbers did also, we would congest the railroads and tie them up so that they could not render the service necessary for the meat.

Mr. WINSLOW. You are really passing a criticism on the regulations of the Interstate Commerce Commission?

Mr. BODZ. Well, whether the Interstate Commerce Commission is attempting to enforce a rule that exists, or failing to enforce a rule that exists, I am not posted on that subject. I do not think that the Interstate Commerce Commission should permit the railroads to render a special service where it was never intended to be rendered to any single industry or any number of industries.

Mr. WINSLOW. Do you remember when they began to run private cars, the packers?

Mr. BODZ. Well, it has been quite a number of years ago. I guess about 20 years now, or 25 years; I have forgotten.

Mr. WINSLOW. All during that time your business has been increasing?

Mr. BODZ. Oh, yes.

Mr. WINSLOW. And it has been done pretty well, I should judge?

Mr. BODZ. Oh, yes; we have got into the manufacturing business, and our fields are extended, and we sell all over the country.

Mr. WINSLOW. Has any number of grocers, in association or otherwise, ever contended, as you have, on this point by resolution?

Mr. BODZ. No; not by resolution, but many of the jobbers, for instance, of Chicago, have voiced their feeling with reference to this special service, and I think the same with New York, and I think the same with other sections of the country.

Mr. WINSLOW. Do you happen to know of any concern, or number of concerns, that have been obliged to stand still or lose business because of this system of the packers—grocery concerns?

Mr. BODZ. They have; concerns that handled cheese and other perishable and semiperishable goods in the country have. You know, when you lose business one way, you seek to keep it up another way. For instance, we have lost the cheese business in certain sections. We may gain it in another until we are cut out by the special service rendered.

Mr. WINSLOW. Are the wholesale grocers increasing in number?

Mr. BODZ. In the large centers they are decreasing, and they are growing up in the smaller communities.

Mr. WINSLOW. There are more of them?

Mr. BODZ. Well, as a community grows usually a wholesale grocer establishes himself.

Mr. WINSLOW. And taking them far and wide, they are reasonably successful?

Mr. BODZ. Yes; they are reasonably successful.

Mr. WINSLOW. Then, the car business has not been a wholesale menace to the well-being of that industry; the wholesale grocery trade?

Mr. BODE. I think it has; yes. I think our own growth has been suspended by reason of that. I think the growth of all these interior jobbers has been suspended by reason of that special service.

Mr. WINSLOW. Although you have done more, you think you would have done better if they had not had it?

Mr. BODE. There has been a natural increase population has increased, wants have increased, and we have increased our scope; we have gone into other lines the same as the packers have, only we have never had the special service they have. As I said this morning, I am sure that they control the cheese business of the United States. I think they control the creamery butter business of the United States. They will eventually control the rice business of the United States. I think they are the largest handlers of eggs in the United States. That has all been taken away from somebody.

Mr. WINSLOW. To the extent of being a monopoly at present?

Mr. BODE. How?

Mr. WINSLOW. To the extent of being a monopoly at present?

Mr. BODE. In a sense; not entirely.

Mr. WINSLOW. You are still able to buy all these products you want?

Mr. BODE. Yes.

Mr. WINSLOW. So that they do not cut you out, and you do not pay any more for them because of their purchases?

Mr. BODE. I think we do; yes. I think we pay more. I would not like to go into the proposition of the control of the cheese market of Wisconsin, but it is only hearsay that they control that any way they choose, but I would not make any charges because I do not know, but we know that their purchases are so heavy there that they can put the price anywhere they want to—either up or down—but I have no knowledge of that personally. That is only a matter of statement in trade at times. I would make no charge.

Mr. WINSLOW. Can you get all the cheese you want if you meet the price?

Mr. BODE. No.

Mr. WINSLOW. Can anybody?

Mr. BODE. No, sir; excepting from the ones who control the cheese.

Mr. WINSLOW. I mean can any purchasers at the cheese factories get all he wants?

Mr. BODE. No; I do not think so. If the packers want the cheese they will go and get it.

Mr. WINSLOW. And you do the same as all the wholesale grocers, but there is a shortage of cheese in the country, is there not?

Mr. BODE. Now?

Mr. WINSLOW. Yes.

Mr. BODE. Well, I think that there is a lot of cheese being held for shipment abroad, I believe, if I mistake not.

Mr. WINSLOW. We do not care about that. I was anxious to get to the point, Mr. Bode, and I am still anxious, because I can see where my own ideas would be modified by the direction from which your attack comes. If you are in favor of a bill to take away from the packers their present privileges, that is one thing; if you are in favor of legislation which will overcome any discrimination which may now exist, and afford the same opportunities to everybody, that

is another viewpoint. We do not seem to be able to get together ourselves.

Mr. BODE. I like that last proposal—legislation that will give a fair chance to all concerns.

Mr. WINSLOW. Now, under the interstate commerce act, is it not provided that there shall be no discrimination in favor of anybody?

Mr. BODE. That is the way I understand it.

Mr. WINSLOW. Why is it not held possible under existing law, without creating any new law?

Mr. BODE. Well, as I say, I have come here to testify only as to certain facts that I have now, so that this committee may understand the knowledge or receive the knowledge that we, as merchants, want you to use in your deliberations as to whether or not this bill should be encouraged or not, or put through. I did not come here in favor or against it, I say, for that reason. I only want to give you the facts. You gentlemen need the facts to interpret the bill properly, or interpret the need of the bill properly. If the facts that I have given you, based on actual knowledge and experience, are of any help to you, I will feel that I have rendered some service.

Mr. WINSLOW. Well, I think the way you put it is perfectly fair. I will take no exception to it. Your information, so far as you give it, and we are depending on the record, is that you are not interested in taking any privileges away from anybody so long as like privileges can be granted to everybody under like conditions?

Mr. BODE. Except that I do say that that is based on my knowledge that I think these special privileges for packers' cars should be limited to fresh meats, because the use of these cars for other articles not necessary interferes with the prompt and expeditious delivery of fresh-meat products needed by the people.

Mr. WINSLOW. But you are in favor of letting the packers hold and operate those cars for fresh meat?

Mr. BODE. Fresh meats. Then I would like to see these cars thrown open to the public to use, if anyone should want them.

Mr. BERRY. I just want to clear up a little question that Mr. Winslow asked of Mr. Bode with reference to the jurisdiction of the Interstate Commerce Commission with respect to rates and conditions applicable to these refrigerator cars. The Interstate Commerce Commission does not initiate the rules and regulations with reference to rates. They do not pass upon any discriminating features of anything that is issued by a railroad and filed with them, unless it is very noticeable or very favorable. They simply pass upon the matter and leave it subject to investigation upon complaint. Here is what happens:

The railroad people, when they make some special deal with the packer, will cover this with the general public, as far as possible, as indicated this morning by Mr. Bode, with reference to the 10,000-pound minimum for packers and the 15,000-pound minimum which the railroad companies furnish the refrigerator cars for others. Now, that minimum of 15,000 pounds to the ordinary jobber is clearly and simply a paper rate put in there to justify the railroads' action with reference to the 10,000-pound minimum. Is that clear?

Mr. WINSLOW. Well, it clears the mathematical feature of it, but if you are familiar with this act of the Sixty-fifth Congress, House bill 328, you would see that the subject is amply provided for, either by the action and initiation of the railroads, or filing of complaint; they can come before the Interstate Commerce Commission and present a petition, or the Interstate Commerce Commission can, of its own volition, take up any of those things without petition and go on and remedy it, so that we do not need legislation to attempt this subject, at least at the outset, at this stage of the game.

Mr. BERRY. I agree with you perfectly, but the commission, of its own volition, would not see the significance of a 10,000-pound minimum for Armour, and a 15,000 minimum for somebody else, because the rules read very much alike. The facts are that the 15,000-pound minimum is possibly indifferent with the general public. They have no use for it and can get no use of it. We even wanted to buy our own refrigerator cars, and the railroads told us they were against private ownership of refrigerator cars, and even assured us that we would not be accorded any better service by virtue of having our own refrigerator car, than was made on similar shipments in box cars, as between our plants (Hammond and Chicago).

Mr. WINSLOW. That is the railroads?

Mr. BERRY. That is the railroads.

Mr. WINSLOW. But you have not been to the Interstate Commerce Commission?

Mr. BERRY. We have not been to the Interstate Commerce Commission because the defense set up by the railroads in the case of the packers would show, "Here is the rule, and if you can not use it, it is your own fault."

Mr. WINSLOW. But they have the Interstate Commerce Commission there for the purpose of protecting business interests like yours. Why attempt to come here? With all due respect to my associates, for whom I have the highest regard, I do not feel that we are as competent to pass on a railroad matter as that commission is, which is not doing anything else.

The CHAIRMAN. As between the different owners of the peddler car they have the same rule to apply, and a man is free to have the peddler car and use it if he wants it, but what he says is that the 15,000-pound minimum rate for other refrigerator cars is impracticable because there is no demand for it. It works a discrimination, but it is not a direct illegal discrimination.

Mr. WINSLOW. If it works a discrimination, it amounts to the same thing.

The CHAIRMAN. The Interstate Commerce Commission can not do half what the people think it can, because of the initiation with the service.

Mr. WINSLOW. If we make a law, they can not do any more than follow the law.

The CHAIRMAN. We are trying to make some law now that will cure the situation.

Mr. DOREMUS. It has been alleged, Mr. Bode, that unless the operation of the so-called five big packers with reference to these various side lines were in some way restrained by us, that as the result the grocers of the country would be out of business. Do you agree with that statement?

Mr. BODE. I do not entirely; no; but as they develop into a special line they seek control of that line; in other words, they practically attempt to monopolize it.

Mr. DOREMUS. I take it from what you said in answer to Mr. Winslow's question that you do not care to give the committee any facts with regard to the volume of your own business.

Mr. BODE. We are not under investigation, although I would be willing to do it privately to anybody.

Mr. DOREMUS. You would not care to state whether the volume of your own sales in 1918 was larger than it was in 1917?

Mr. BODE. They were somewhat larger, but not so very much.

Mr. DOREMUS. Would you care to state whether they were any larger in 1917 than they were in 1916?

Mr. BODE. Yes; they were larger during that period, due to the war conditions. We supplied the Government with a great many goods, and a great many goods were shipped abroad.

Mr. DOREMUS. Your company is an old, established concern?

Mr. BODE. Yes.

Mr. DOREMUS. Would it be fairly correct to say that your business has shown an annual increase for, we will say, the last 15 or 20 years?

Mr. BODE. Yes; by reason of the fact that we have gone into the manufacturing end of the business, manufacturing some of the lines similar to the Heinz Co.'s lines, gone into the pickle business and all those items have helped to increase our volume.

Mr. DOREMUS. I gather from what you said in your general statement that you had no objection to the packers engaging in these side lines?

Mr. BODE. No; we have no jealousy or antagonism toward them.

Mr. DOREMUS. Your chief, practically your only complaint, is against the preferential treatment that is accorded the packers with reference to their specially equipped cars?

Mr. BODE. Special service rendered to them by the railroads; yes, sir.

Mr. DOREMUS. And you have no suggestion to make to the committee as to how that preferential treatment can be abolished?

Mr. BODE. Regulate the railroads, render equal service to all, and where special service is required, restrict that special service to the purpose intended, and then you will solve the problem.

Mr. DOREMUS. Then you have no objection to the packers owning their own refrigerator cars?

Mr. BODE. No; but I believe that privately owned cars, when tendered to a carrier, should become for the time being the property of the carrier, so that there would be no question involved as to his right to use the car for rendering the service to the public on their line.

Mr. DOREMUS. Do I understand that you favor some sort of regulation of the railroads which will permit you to use the cars owned by Armour & Co. upon the same terms that Armour & Co. used them?

Mr. BODE. Well, if they were to be permitted to be used for their own meats, yes; but as I think I have stated a number of times, I

think that these meat cars should not be used for anything else but fresh meats, on the ground that it tends to destroy the very purpose for which that special service is to be rendered. You get an overloaded condition for special service, and the first thing you know there would not be any service at all.

Mr. DOREMUS. If we could, by some sort of regulation, do away with this preferential treatment that the railroads now accord the owner of the specially equipped cars, what would be the effect upon the consuming public?

Mr. BODE. I think they would get better service for the needed articles than they get to-day.

Mr. DOREMUS. Would they get any lower price?

Mr. BODE. I think they would get a lower average price because of the greater competition.

Mr. DOREMUS. Confining ourselves to the so-called side lines that are handled by the packers, do they undersell you in the retail market?

Mr. BODE. No; but they render better service when they get it from the railroads, which gives them an advantage.

Mr. DOREMUS. Take canned salmon. Do you lay canned salmon down to the retailer at a lower price than the packer does?

Mr. BODE. In competition, yes; but without competition, no.

Mr. DOREMUS. What do you mean by that?

Mr. BODE. Well, as I illustrated in these letters this morning from our salesmen, where our competition is eliminated the packers get more money for their goods.

Mr. DOREMUS. We will take canned vegetables, speaking generally. Do you lay your canned vegetables down to the retailer any cheaper than the packer does?

Mr. BODE. No; I can not lay it down any cheaper; no.

Mr. DOREMUS. As a matter of fact, I do not suppose there is a great deal of difference in the price at which you lay down all of these side lines to the retailer, is there?

Mr. BODE. Well, that is subject to special answer. Service is the one great element in the matter of competition. If a packer can render better service than I can, the chances are that the buyer will be willing to pay a little more money to get the goods, and that has worked out in actual practice. If a packer can deliver the goods the second day after taking the order, and I can not deliver them for a week, the buyer can buy oftener and operate his business on less capital than the man that has got to stock up, and the result is he is willing to pay a little higher price for the quicker service. That is the practical working out of that proposition.

Mr. SWEET. You really have not any complaint against the packers because they are given this special service?

Mr. BODE. Yes; I do.

Mr. SWEET. As to meat?

Mr. BODE. No; not as to meat.

Mr. SWEET. Your contention here is, then, that owing to the fact the packers have been rendered this double service as to meats, that they are including other articles in their peddler cars, in sending them out through the country?

Mr. BODE. Yes, sir.

Mr. SWEET. By the packers including articles outside of meat they are given, according to your illustration, 500 towns or places where they can deliver these articles expeditiously?

Mr. BODE. Yes, sir.

Mr. SWEET. On the other hand, you have only 33 where you can do that?

Mr. BODE. On one railroad in Illinois—that is, the Illinois Central.

Mr. SWEET. Well, I am going back to your illustration.

Mr. BODE. Yes, sir; I will qualify that by saying that is with refrigerator service.

Mr. SWEET. Wouldn't you say that that was about the proportion extending throughout the whole country?

Mr. BODE. I would think that was true. As I stated before, some railroads have no service at all, but I think they (the packers) have 100 per cent, and I have no service.

Mr. SWEET. At these places that you have no refrigerator service, would you say that the packers really have a monopoly in the markets in these places, because of the rights that they have or the rights that they exercise in connection with the refrigerator cars?

Mr. BODE. I will say so, excepting this—well, on perishable and semiperishable products I would say "yes."

Mr. SWEET. I will limit it in this way, that during certain portions of the year they have a practical monopoly?

Mr. BODE. Yes, sir.

Mr. SWEET. Because you are unable to get into these markets?

Mr. BODE. Yes, sir.

Mr. SWEET. Now, if I remember a part of your testimony correctly, you said that at times you had placed in some of these refrigerator cars a certain amount of meat?

Mr. BODE. Yes, sir.

Mr. SWEET. And then you had added enough other materials to make up that full carload?

Mr. BODE. That was in carload quantities; not a peddler car, but a carload shipment.

Mr. SWEET. When you did that, did you get the same service that the packers are getting in connection with the cars that are loaded with meat and other articles?

Mr. BODE. Yes.

Mr. BERRY. No; because the packer's car was a refrigerator car, not necessarily iced; while our car was a common box car containing the same articles, practically, the packers utilize their own cars for the purpose of getting the mileage and the expedited service.

Mr. SWEET. But supposing you obtained a refrigerator car from the railroad company, loaded as I have said, would you get the same service?

Mr. BERRY. That would be a physical impossibility to get a refrigerator car from the railroads containing 29,990 pounds of rice and 10 pounds of meat. They would not furnish you a car.

(Whereupon, at 4 o'clock p. m., the committee adjourned until Monday, February 3, 1919, at 10.30 o'clock a. m.)

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., February 12, 1919.

HON. JARED Y. SANDERS,
House of Representatives, Washington, D. C.

MY DEAR GOVERNOR: Referring to the testimony of Mr. Lasater before the Committee on Interstate and Foreign Commerce of the House of Representatives on February 5, 1919, page 4022, he testified as follows:

"Mr. Chapman, who was head of the feed department of the Quaker Oats Co., was made the head of the feed division of the Food Administration. I cite that company on account of that position having been given to Mr. Chapman."

You called my attention to this testimony and while then I had no knowledge of Mr. Chapman being with the Food Administration I have since looked it up and I find that Mr. Chapman who was vice president of the Quaker Oats Co. came to the Food Administration February 28, 1918, and was at the head of the feeding-stuffs section of the distribution division, which division was under Mr. Theodore F. Whitmarsh, and I may say that Whitmarsh had no interest whatever in the question of feedstuffs.

Mr. Chapman served in this capacity until April 1, 1918, when the distribution division was reorganized, at which time Mr. J. J. Stream, of Chicago, became the head of what is known as the "coarse-grains division," under which was consolidated the feeding-stuffs section, of which Mr. Chapman had been the head, and the corn millers' section. Mr. Stream continued as the head of this until the division was dissolved after the armistice. At the time Mr. Stream became head of the coarse-grains division, Mr. Chapman tendered his resignation, which Mr. Hoover declined to accept, and requested him to continue to serve in an advisory capacity, which he did. At no time was Mr. Chapman a chief of a division of the Food Administration, nor was he at any time in a position to direct the policies of any division of the Food Administration, but he was looked on, as far as I can learn, as a capable technical man on the question of feedstuffs, and was retained at the Food Administration for such information as he could give relative to the trade, and his duties began after the policies as to the feed situation had been formulated by Mr. Hoover.

I thank you for giving me the opportunity of advising you as to the relation of Mr. Chapman to the Food Administration. He left the Food Administration when its activities as to coarse grains ceased on December 15, 1918, and on inquiry I can hear of no complaint having been made as to his course of action while he was here.

Very truly,

W. A. GLASGOW, Jr.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Monday, February 3, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. E. C. LASATER, OF FALFURRIAS, TEX.

The CHAIRMAN. Mr. Lasater, give your qualifications for desiring to submit a statement to the committee.

Mr. LASATER. Mr. Chairman, I am a farmer, ranchman, and dairyman.

The CHAIRMAN. And live in the State of Texas?

Mr. LASATER. I live on a ranch in Brooks County, Tex., about 4 miles out from the shipping station of Falfurrias.

The CHAIRMAN. Do you represent any organization?

Mr. LASATER. I am here representing the American National Live Stock Association and the Farmers' National Committee on Packing Plants and Allied Industries.

The CHAIRMAN. Mr. Lasater, you may proceed in your own way and make your statement in the order in which you desire to make it.

Mr. LASATER. Mr. Chairman and gentlemen, Prof. Weld the other day, in appearing before you to represent the packers, made the statement that in his opinion the maxim, "False in part false in whole," should be applied to the report of the Federal Trade Commission. To those who are appearing before this committee under the guise of experts in their lines of endeavor, I believe it would be perfectly safe to apply that maxim. Whether it would be just to apply it to a report that has been gathered by a great many examiners and that three individuals have passed on without being intimately connected with the matters to which these reports are supposed to relate, I will leave to you gentlemen. I believe, as far as my testimony is concerned, and that of the four large packers who appeared in person and Mr. Weld, I believe it would be perfectly safe to apply that maxim.

Now, in order to save time, I think probably I had better place before this committee certain facts that will show that the packers were perfectly familiar with the whole truth, and where in many places they stated only parts of the truth.

I am going to ask your permission to read the report of a certain committee appointed by the packers to formulate for them a plan to prevent the passage of the Borland resolution and to pacify the live-stock producers.

Mr. ESCH. Has that report ever been printed as a Government document?

Mr. LASATER. I think it was printed as a public document. I am not quite certain, but I think it was on the last of March, but it is in a report of the Federal Trade Commission, and the part I will read will be short. I will refer to the pages, however, where you can read everything connected with it, but the report itself is short.

Mr. HAMILTON. You say it is a part of the report of the Federal Trade Commission?

Mr. LASATER. It is a part of the report of the Federal Trade Commission. I do not know that it has been published, but it was read in their public hearings and read into the record. This entire communication from this committee, composed of Mr. R. C. McManus, J. M. Chaplin and Arthur D. White, is included from pages 1777 to 1804, both inclusive, of volume 8, Hearings of the Federal Trade Commission.

I would like to read you that which is found on page 1801 to page 1804, both inclusive:

The circumstances which cause dissatisfaction to the cattlemen are few, and in our opinion, for the most part—

Mr. HAMILTON. You say that this report has not been printed anywhere?

Mr. LASATER. This is one of the hearings of the Federal Trade Commission. I heard it read, and this report has not been made public unless you got it from the stenographers of the Federal Trade Commission. If this report has gone into any public hearings, I am not advised, except I do know it was given publicity at the time it was read into the hearing.

Mr. HAMILTON. Then it has not been printed except in the newspapers?

Mr. LASATER. It is in a hearing before the Federal Trade Commission under date of Washington, January 25, 1918. It was up to anybody to go to the stenographers that reported that hearing and get a copy of that report. I suppose there may have been one out of one million who did it, and I am one of the ones who did it, and if there has been any other publicity, I am not advised of it. Now, if you will permit me, Mr. Chairman, I will read the report.

The CHAIRMAN. Go ahead.

Mr. LASATER (reading):

The circumstances which cause dissatisfaction to the cattlemen are few, and in our opinion, for the most part, important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments [underscored with red pencil], we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate.

Second. Get something cooperative started which can not be finished for some time.

Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, de Ricqles, and Jastro conspiracy.

Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

Fifth. To so combine the question of the packers' investigation with the more comprehensive scheme mentioned by Fisher, that the whole undertaking will appear so colossal as to be unattractive.

Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and assuming the responsibility of determining when the market should start, do away with this charge.

Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers so that the explanation of breaks and fluctuations could be understood at the time?

Ninth. Would we favor a permanent marketing committee of the live-stock men and packers to meet periodically and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaigns of misrepresentations?

In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

We believe the situation to be serious and recommend that due consideration be immediately given to it [that in red lines] and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that as it stands to-day, nothing could stop criminal prosecutions [that in red lines], and that the situation is dangerous where men like Burke, who have been in the business all their lives, regard trivial and irrelevant circumstances as conclusively proving unlawful operations.

It must not be forgotten that some have the impression the consumer is being badly used. Chairman Carlin, at the close of the hearing, said that even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered.

The CHAIRMAN. What is the date of that?

Mr. LASATER. That was under date of April 10—

The CHAIRMAN. Who signed it?

Mr. LASATER. R. C. McManus, J. M. Chaplain, and Arthur D. White.

The CHAIRMAN. Who are they claiming to represent?

Mr. LASATER. The packers. They are employees of Mr. Swift, but you will find in reading these records that they were appointed as a committee to represent the packers, and this report was acted on.

Mr. HAMILTON. They were a committee to represent the packers?

Mr. LASATER. They were appointed as a committee to formulate a plan of action for the packers to stop the Borland investigation and lessen the tension as between the live-stock interests and the packing interests.

The CHAIRMAN. To prevent the passage of the Borland resolution?

Mr. LASATER. The Borland resolution; that is what they state here.

Mr. DOREMUS. You started to give the date when that report was made.

Mr. LASATER. April 10—

Mr. DEWALT (interposing). Was this a self-constituted committee, or who constituted the committee?

Mr. LASATER. Swift & Co. They were all employees of Swift & Co. And finally, in consultations, you will find that the entire five big packers adopted the report of this committee and have made attempts and have carried out many of the recommendations made by this committee. That I desire to say here.

Mr. DEWALT. You are going to follow that up?

Mr. LASATER. Yes; I will follow that up.

Mr. DOREMUS. What is the date?

Mr. LASATER. It is dated April 10, 1916, and addressed "Mr. Louis F. Swift, fourth floor, Borland resolution," and, as I say, it is signed by R. C. McManus, J. M. Chaplain, and Arthur D. White. I only read a very small part of the entire report, but I gave the pages where the entire report appears, and if you gentlemen wish, of course, you can have the entire report made by this committee put into the record here.

The CHAIRMAN. The report of this packers' committee?

Mr. LASATER. Yes.

Mr. STEPHENS. Put it all in.

The CHAIRMAN. All right.

Mr. LASATER. It runs from page 1777 to page 1804, both inclusive.

The CHAIRMAN. Of the copy which you hold in your hand?

Mr. LASATER. Yes.

Mr. SANDERS. Copy of what?

Mr. LASATER. It is a public hearing of the Federal Trade Commission that took place in Washington on January 25, 1918.

(The report above referred to is as follows:)

Mr. LOUIS F. SWIFT,
Fourth Floor.

BORLAND RESOLUTION—APRIL 3.

The Borland resolution provides for investigation by the Federal Trade Commission to determine whether or not there is a combination among the five large packers, naming them, to control the price of live stock and meats.

Congressman Borland's interest is political and selfish, as is also that of Congressman Doolittle, of Kansas. Their resolutions were introduced the same day, and their preliminary efforts were directed chiefly to claiming credit for the rise of beef-cattle prices since then as an evidence of what the packers could be made to do.

The Missouri Swine and Cattle Raisers' Association was represented by a Judge Wallace, a lawyer who has a stock farm and who has lost money. He

was the attorney for Aiken, of Kansas City, Kans., in the calf cases, and used a lot of arguments growing out of that case, as showing a trust. He made a wild, pettifogging speech, calling the packers criminals, and likening them to the Jesse James gang. He cited and depended upon the market telegram sent out by the telegraph companies giving the prospect and the state of the market, which he charged was sent out by the packers to indicate the program for the day. He also cited the fact that the buyers start out late and at the same time.

Wallace charged that he sold a bunch of cattle to Armour's buyer and after that part of the bunch was weighed up to Cudahy without his knowledge, and claimed to have seen an account sale to prove it. He told how shippers were wired on when they sought another market. His chief charge, which really hurt us most we thought was the story of how Carl Cooper, representing all of the packers, went to the books of the Kansas City Stock Yards Co. at night by prearrangement with a bribed employee of the Stock Yards Co. and obtained information as to the cars which had been offered on the Kansas City market and which had been reshipped to other markets. He claimed that copy of Cooper's report was furnished to each of the packers, and that they all wired their buyers at the yards to which the stock was consigned, giving full information and the price that had been offered, and it was his claim that the buyers at destination had instructions not to pay any more than what had been offered at Kansas City, thereby making the owner lose the freight. This is what they call being "wired on."

Congressman Steele still has an interest in a commission firm at Sioux City. He made a long talk, for the most part harmless, except on the matter of the packers' ownership of stockyards. He charges that this prevents competition from securing advantageous sites and facilities. He mentioned a specific case of a small local packer (Harney Packing Co.) who had been refused use of an alley to drive hogs direct to his plant, and instead was compelled to drive the hogs through the public streets.

Walter Fisher then stated that the American National Live Stock Association had not initialed the Borland resolution. What they wanted was a comprehensive investigation of the whole history of meat from the grower to the consumer and that he wished the opportunity, as special counsel, and with the aid of governmental authority, to administer oaths and subpoena documents, and to go through all of the books of all the subsidiaries covering the ultimate history of all cattle and hogs which went into manufacturing and everything which appeared upon published statements and was included in the profits; also all collateral statistics which might be used to indicate whether or not there was a combination.

Mr. Fisher said he thought there should be four separate inquiries of this character—one by the Department of Justice, one by the Department of Commerce, one by the Federal Trade Commission, and one by the Department of Agriculture. He thought they could be carried on simultaneously and that with the cunning and soulless ingenuity of the corporations, all these investigations would be necessary.

Mr. McManus then asked him whether it would not be necessary to examine the books of feeders, stockyards companies, commission companies, wholesalers, and retailers, and he said that it would, and that they would be examined.

Mr. McManus then asked him whether he tendered the books of the producers and feeders for that purpose, and he said he did; that the first step, however, was the packers' books, and for that purpose he thought the Borland resolution sufficient.

Ex-Gov. Stubbs, of Kansas, cited the Texas antitrust case as proving that the packers had secured control of the cotton-cake business in Texas, and thereby had extorted \$6 or \$8 per ton last season compared with the year before. He quoted a telegram from the attorney general of Texas to the effect that the packers had pleaded guilty to a charge of monopoly on cottonseed cake and Stubbs said they had thereby been able to extort \$6 to \$8 per ton extra last season. He advocated punishment by imprisonment should an investigation prove the packers guilty.

Congressman Doolittle relied chiefly upon the break in hogs October 20 and 21, 1915, and stated that he had given information on this particular point to the Department of Justice at Kansas City, and that they had been making an investigation. He also mentioned as one of his main points the question of split purchases, quoting an instance which he claimed he could prove where a carload of cattle shipped into Kansas City was sold to one buyer and then split up among five packers, each one taking an equal share. Mr. Meeker asked him about how many head were in the lot, and he said 20.

Ed Burke, of Omaha, read his usual speech and produced a new chart. It was the most moderate and informative of their efforts, but helped the general proposition of universal unrest and demand from the cattle producers for an investigation. Burke's chief complaint was that the buyers start late. Eleven o'clock was given as the definite hour. The impression was that it was a definite hour fixed by the packers and that all came out together, the purpose being to let the cattle shrink, which shrink was estimated at a loss of 50 cents per head to the cattlemen.

Burke promised to permit an accountant to go over his books so far as they related to his costs and losses on cattle for the past three or four years.

During the entire proceeding they filed exhibits too long to be read and not necessarily a part of the printed record, containing figures which could not be examined nor refuted offhand.

Chairman Carlin seemed much interested and asked intelligent questions. However, so much time was consumed in collateral inquiries that the time allotted to the defense was necessarily restricted.

Jay Brown, of the Drovers' Journal, wired Borland that he wanted to appear in connection with the charge that his paper was owned by the packers and so his use of the trade-paper rates in the mails was illegal, and when Brown appeared he listened to his story, but did not give him time to talk.

Brown asked us to find a place for him out of our time, which we did. This was fortunate, as he covered the whole question of stockyards and live stock exchange procedure, marketing and competition. He explained the market telegram, which he personally furnished to the Illinois Telegraph Co., and which they sent. He said he was present every day at hundreds of sales, described the delays due to the hoof-and-mouth quarantine, the custom of permitting a salesman to have the exclusive time of a buyer until a bid was made, and to the fact that few sales were made without two or more bids; he said there were usually three or four. He denied packer ownership or control of his paper, or of the Live Stock World. Coming from an avowed neutral, his testimony was comprehensive and valuable. He also testified to the fact that the buyers did not get out at some fixed hour, as the cattlemen claimed; that they came out at different times in the morning on different days, and that the buyers for all the packers did not always come out together; that there was in his opinion at times unnecessary delay on the part of the buyers in getting out into the yards.

He said the Illinois Telegraph Co. was in the business of furnishing news and ticker service in connection with stock exchanges, boards of trade, and live-stock markets, and he thought perhaps other similar kinds of service. They asked him if it was not the case that the packers owned or controlled the Illinois Telegraph Co., in answer to which he said he did not know, and while it was a possibility, he did not think it was probable. He had never met the manager, simply sent him his wire by telephone and received a check by mail.

Walter Fisher indicated his strong suspicion that the packers controlled this service and that Mr. Brown was there representing them.

We then put on Phil Haner, farmer, cattle feeder, and trader in live stock, of Taylorville, Ill. He made a good witness. He stated that he had made and lost money, losing more than he made in cattle feeding in 1915. He regarded the hoof-and-mouth quarantine as the most important feature, occasioning the losses of Illinois feeders. He spoke of the laziness and ignorance of cattle feeders who depended upon commission men to buy their stock, which was often unfitted for their conditions. He said feeders had been too high; that the production of live stock by the average farmer throughout Illinois, he thought, had increased considerably during the past three or four years, and believed that that would be the tendency in the future. He buys most of his own corn. He has been able to buy feeders cheaper than the prices obtaining in the big markets and by getting hold of gossip information and following it up. He has bought cattle in the Ozarks and in Ontario. He is an active trading man, takes advantage of opportunities and turns himself quickly. He had always had plenty of competition.

Haner regretted the breaking up of the National Packing Co., because it took more buyers off the market. At this point Walter Fisher interjected sneering comments, asking whether he seriously believed a creature like the National would compete against its creator, the Beef Trust. Haner said that the National has nearly always bought his cattle, indicating that they paid as good or better prices than the other packers. He stated that he believed the matter of making or losing money in the cattle-feeding business on the average was a

matter of intelligence and judgment, just the same as any other business. He also stated that the present agitations and all agitations of a similar kind which bring an odium on the packing business affects the price of cattle adversely, and that he was not in favor nor did he see any necessity for an investigation. He did not ask the National Government to guarantee him a profit in his business.

Crit Clay, of North Salem, Ind., farmer and live-stock man, made money, as have all of his neighbors, during the past three or four years. He described efficient, economical methods for raising and feeding cattle, and it was his opinion anyone could make money raising and feeding cattle who plowed his own land and raised his own feed and made efficient use of the roughage. He said there was competition between the live-stock markets. He said he had been selling his cattle for the past few years around 10 cents per pound. He thought the present agitation and all previous agitation had had a bad effect on the price of live stock and did not see any necessity for it. He attributed this legislation to politicians seeking advertisement, to lawyers seeking fees, and to lawyers and doctors trying to live in town, buy the feed, and feed cattle on the farm. Mr. Fisher cross-examined him, and Clay was more than a match for him. He made a very good witness. He personally has been on the market in Chicago and always had competition.

Charles Clayton, Denver, grower, feeder, speculator, etc., often buys heavily at one market and ships to another, which business has been profitable, indicating that he is able to get better prices at destination than at the point of shipment, and that, therefore, the claim that the packers wired to destination to his detriment was unfounded. He feeds big quantities of cotton-oil cake, and never heard of Swift & Co. or any other of the packers as controlling prices or being controlling factors. He did not even know they were in the business. He sells his cattle upon his own judgment and keeps posted. He never had any difficulty in procuring competitive bids. He sometimes accepts the first bid, if he thinks it is at least the full market value; otherwise, he gets more bids. He kept a set of books for a term of years on his feeding operations. He made money feeding. Last year he lost heavily on some lots and made a little money on others, but, on the whole, he lost money. He stated there were ups and downs in the cattle-feeding business, the same as in other lines, but on the whole it was profitable. He thought agitation would injure the business.

Called W. D. Reynolds, of Fort Worth, Tex. Mr. Reynolds owns an oil mill in the vicinity of the oil mills operated by Swift; he stated that so far as he knew the packers did not control the oil mills in that territory and he had no knowledge of combination in prices; that the high price of cottonseed meal and cake last year was due to shortage in the cottonseed crop.

Reynolds is a grower. He raises calves and makes big money every year (\$20 a head). Does not favor the Borland resolution. Believes that agitation hurts every branch of the business and that there is nothing in the business requiring legislative assistance. He was present when the Texas Cattle Raisers' Association passed the resolution indorsing the Borland resolution and also the program favored by the marketing committee of the American National Live Stock Association. This was on Wednesday, March 22. He was also present when another resolution was passed, instructing the executive committee and officers, before taking any action effectuating the plan for investigation or prosecution, to send a committee of three to confer with the packers and see whether their difficulties could not be amicably adjusted. Mr. Reynolds was present when this resolution was introduced by Mr. George W. Armstrong, of Fort Worth, and when it was passed on March 24. [Mr. Fisher had introduced the previous resolution, but not this one, and claimed no knowledge of it.] This seemed to take Mr. Fisher completely by surprise. He denied all knowledge of such action, and John Landergen, of Amarillo, said he was present and that it was not passed. Mr. Fisher was very much confused by the presentation of this resolution. The chairman said the resolution if passed spoke for itself, and it seemed to him to completely reverse the attitude of the Texas association and its instructions to its representatives.

Jim Nail, of Fort Worth, grower, stated he was present when the resolution was introduced by Armstrong, and that it was passed unanimously on the floor of the convention; that the other resolution was born in the committee rooms and went through without opposition; that neither he nor Reynolds voted; furthermore, that he had not and would not pay his assessment toward the present action. He did not favor the Borland resolution and believed that this agitation would hurt business. He had no fear but that he would be able to

sell his calves and yearlings, as he had always been able to do so, and there seemed unlimited demand.

Throughout the hearing the committee interjected questions and interruptions and seemed on the whole pretty fair, but entirely ignorant of the subject.

Mr. Meeker explained many phases of the business as they arose. Mr. McManus stated that if Mr. Fisher would permit his clients to talk to the packers, they could learn much to their advantage, he thought.

We introduced correspondence showing that the Kansas Association had made an appointment to meet the packers in Chicago on the 11th. On the question of the desirability of doing this, it may be said that we did so with some diffidence, fearing to arouse their resentment that we should use their conciliatory actions to embarrass the marketing committee of the American National Live Stock Association. On this we have to say that they withheld this information from the committee, and were creating the wrong impression. We also felt that the marketing committee's movement is in the selfish interests of a few men who would stop at nothing and who did not intend that any friendly understanding shall be reached. It appeared that the Texas Cattle Raisers had subscribed \$100,000 and we know of some \$68,000 in addition.

THE SITUATION.

Mr. de Ricqles wishes to be United States Senator from Colorado. So says Mr. Gates, Democratic committeeman from Colorado, a friend of James Brennan. De Ricqles has three or four thousand four-year old steers, which would have been a loss at prices obtaining in 1915. He is also in the cattle loan business, and believes that that business has suffered because of the so-called packer cattle loan business. He had a personal quarrel with Mr. Vant during the panic of 1907, due to Vant's refusal to lend him \$100,000.

Mr. Vant is head of a cattle loan bank at Omaha, Nebr.

De Ricqles has been a disturber all his life and has a gift for organizing revolts. He believes if he could get the stock yards and cattle loan companies out of the packers' hands his company could do a much more general business. He also likes the personal advertisement and prominence.

Ed Burke, of Omaha, is a sincere man, but Mr. Meeker, who has known him all his life, says he is a curious solitary man, has few intimates, and is obsessed with the idea that he always gets the worst of everything. Burke's cost accounting is bad, we think. He is suspicious of everyone and believes his business too dangerous to leave to his sons unless he can correct the abuses.

H. A. Jastro appears to be the real power. It is he who insisted upon the huge subscription fund, and he is responsible apparently for the refusal of the American National Live Stock Association marketing committee to meet the packers. He does not believe in stock yards nor live stock exchanges. He does not appear to be particularly bitter against the packer, but wishes a new marketing system established and favors a complete study of every phase of the question and wants Walter Fisher to conduct it.

Stubbs, of Kansas, is the man who took Bill Miles to the Department of Justice before the last trial. He, while governor, ousted the Standard Oil Co. from Kansas. He is a bitter politician and is now trying to be United States Senator.

Borland, of Missouri, is seeking renomination. He boasts that he has a life job assured by reason of this agitation.

Congressman Doolittle is a boy of small ability. He thinks he sees an opportunity to secure prominence in politics.

There are many cattlemen who believe the packers are in a combination and have destroyed competition. Some of them are bitter and want revenge, believing in indictments and prison sentences. On the other hand, there are many conservative cattlemen who are satisfied. They wish to have some things explained to them, but have open minds. These last, however, are not organized; the radicals are in control to-day of the American National, the Texas Cattle Raisers, and the Pan Handle Associations. While they appear to have carried everything in the Kansas Association, nevertheless they are not in control of it.

There are some points of immediate danger which we must explain and have the cattlemen of the country generally understand.

First. The origin and purpose of the market telegram.

Second. The conduct of the buyers. Why they come out late and why they go out together, if they do.

Third. The question of split purchases. It seems to be universally believed that this daily occurs; that one buyer will make a bid, buy a string of cattle and then weigh them up to a number of packers, or that bids will be so made that even if the other half of the lot happened to be bought by some other packer, the price paid by both packers is the same.

Fourth. It is also claimed that the packers buy about the same number of animals comparatively. This was particularly mentioned by Steele, of Sioux City—that they agreed as to total percentage of receipts which they would buy.

This is a matter which, according to Steele, is talked about a good deal by the commission men around the Sioux City yards.

Many commission men make a practice of blaming their poor sales or disappointing results upon the packers and there seems to be a large percentage of them just now actively promoting unrest among the cattlemen. Emil Ingerson is one of the active agitators, as is also Johnny Bowles. The National Live Stock Exchange, by its president, Mr. McCluer, of Kansas City, read a letter indorsing the movement, which is industriced in such a way as to create the impression that they would be much stronger in their expressions if they dared, and that the commission men individually feared the power of the packers, and so acted impersonally as an organization.

Walter Fisher is frankly pettifogging. He is concerned for the consumer. He is determined there shall be no mutual adjustment of differences, and that there shall be started a long campaign of official investigation, in which he shall participate.

All of these men have in their minds indictments and imprisonments.

The conservative friendly cattlemen are unorganized and have remained passive. There is, however, a large element in both the Texas and Kansas associations which is friendly and opposed to the movement. There are also some of those in the movement who want to be fair and reasonable and who only wish to satisfy their minds as to the fairness of the packers.

Undoubtedly we have started our educational campaign late. The fact that we ignored the Brand conference in November seems to have precipitated the fight and fixed the minds of Burke and his kind in the notion that only the Government is powerful enough to bring the packers to time.

There are these points in our favor: This administration has not disturbed business by prosecutions, and does not wish to be known as appealing to the mob spirit. It does not wish to spend money, as its revenues are in bad shape. It must come before the corporations for political subscriptions shortly, as the convention is almost at hand. Congressmen wish to go home to attend to their fences.

WHAT WE CAN DO?

We have worked out an understandable scheme for current dissemination by the Government of official data, which will direct the attention of the cattlemen particularly to the beef and teach them how to analyze beef-market conditions as affecting live-stock prices. The Department of Agriculture seems to favor the experiment.

The Lever agricultural bill commits the Department of Agriculture to the general supervision of all agricultural subjects which are now scattered through several departments. The Department of Agriculture has now probably nine-tenths of the data in one form or another and the Bureau of Markets is the particular pet of the present Secretary.

The Texas Cattle Raisers' Association was badly split on the subject of employing Judge Sam Cowan as counsel, and probably would not favor another split growing out of the differences of opinion between the radicals and conservatives. Messrs. Reynolds and Nail are powerful and respected, and certainly the committee will hesitate before discrediting them.

The Kansas association is headed by J. Todd, a sane, true, honest Scotchman, who, while he did not interfere with the indorsement by his association of the marketing committee's plans, nevertheless has appointed a good committee who have an appointment with the packers. This last may have been interfered with by Mr. Fisher's fiasco at Washington, for a conference. We must bear in mind that Mr. Fisher repeatedly stated that his clients would not be satisfied with any information volunteered or any books shown to accountants or representatives of cattlemen. He insisted upon an official investigation under oath and with power to subpoena all documents and intended to follow the product through every State, and however admixed with other goods, stating that

the packers have some hidden methods which the books do not show, and that frankly he does not and will not believe the packers' books.

The circumstances which cause dissatisfaction to the cattlemen are few, and, in our opinion, for the most part important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate.

Second. Get something cooperative started which can not be finished for some time.

Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, De Ricqles, and Jastro conspiracy.

Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

Fifth. To so combine the question of the packers' investigation with the more comprehensive scheme mentioned by Fisher that the whole undertaking will appear so colossal as to be unattractive.

Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and assuming the responsibility of determining when the market should start, do away with this charge.

Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers so that the explanation of breaks and fluctuations could be understood at the time?

Ninth. Would we favor a permanent marketing committee of the live-stock men and packers to meet periodically and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaigns of misrepresentation?

In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

We believe the situation to be serious and recommend that due consideration be immediately given to it and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that, as it stands to-day, nothing could stop criminal prosecutions and that the situation is dangerous where men like Burke who have been in the business all their lives regard trivial and irrelevant circumstances as conclusively proving unlawful operations.

It must not be forgotten that some have the impression that the consumer is being badly used. Chairman Carlin at the close of the hearing said that even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered.

Law department.

R. C. McMANUS.
J. M. CHAPLAIN.
ARTHUR D. WHITE.

Copy to CFS, Jr.-HHS-LAC-FSH-HV-JMC-ADW. TEW-EM, Jr.-FEW-(Thos. Creigh).

Copy to G. F. Swift, Jr.; Harold H. Swift; L. A. Carton; F. S. Hayward; Henry Veeder; J. M. Chaplain; A. D. White; T. E. Wilson; Edward Morris, Jr.; F. E. White. In pencil (Thos. Creigh).

Mr. LASATER. Now, I want to read just page 1926. This communication is entitled "Borland Hearings," and is addressed to Louis F. Swift under date of April 20, 1916, and appears on page 1919. This seems to be a recommendation by the same committee. I do not find their signatures to it, but the entire report is included from pages 1919 to 1937.

I want to call your attention particularly to certain parts, and I will only read those at this time, because if we undertook to read all I find here we would not finish, possibly, in any reasonable time.

The CHAIRMAN. The portion that is not read can be put in the hearings, and you can read such portion as you desire.

Mr. LASATER. It commences on page 1926 and includes part of page 1927.

9. The question of the possibility of assisting the conservative elements in the Cattle Raisers' Associations to get control of their associations, or of inspiring them to do so, was discussed and it was agreed that some action looking toward that end should be accomplished by making suggestions to the conservative members of the associations through the proper channels and endeavoring to get them to take action.

I would like you particularly to pay attention to the words "proper channels."

Mr. LOUIS F. SWIFT.
(Fourth floor.)

BORLAND HEARINGS.

I think it is important that we intimate to the committee very shortly about what day would suit us to finish our hearing on the Borland resolution. My idea is that we suggest:

First. That June 20 would suit us.

Second. That if an earlier date is desired, then May 20 would be satisfactory. Have you any comments?

R. C. McMANUS.

Law department.

R. C. M. I. O. B.

Copy to CHS-GFS., Jr.-HHS-FSH-HV-JMC-ADW.

Mr. R. C. McMANUS:

Your report regarding the Texas cattle raisers' convention, Houston, contains the following:

"I think that we must not overlook the State of Texas. The cattlemen are the strongest political unit in the State, and I can not help thinking that the Attorney General intends to try for and find a confiscation under their anti-trust law.

"What good would this do the cattlemen?

"Awaiting your reply.

"LOUIS F. SWIFT."

Mr. R. C. McMANUS:

In reply to your letter of April 20, asking what my preference would be between the Trade Commission, a congressional committee, or the Department of Agriculture to conduct an investigation if one must be made:

You say that you would rather favor the congressional committee, and again, that you would favor an effort to have the Agricultural appropriation bill amended to include an extra sum so that the Bureau of Markets could make an investigation of the whole subject. Are you recommending that we try to have two investigations?

This appears to me to be principally a question of the legal advantage or disadvantage which might be expected from investigations by the respective bureaus and, before voting, I think that I should have Mr. Henry Veeder's opinion. Even after this, the attorneys for the other interests may have some ideas on the subject, which we should consider. I would suggest that you review the matter with them and that you put up to the principals your joint recommendations, including that of Mr. Veeder and the other members of the Swift & Co. committee.

LOUIS F. SWIFT,

AD.

Copy to JMC-ADW.

[Memorandum of conference at office of A. H. & H. Veeder 3.30 p. m. Apr. 21, 1916.]

Subject: Borland resolution.

The result of the discussion was as follows:

1. That Mr. Faulkner should write promptly to the chairman of the subcommittee, informing him that the packers are preparing figures and statements for submission at hearing to be held not earlier than May 20, 1916, and are obtaining statements of certified accountants covering their respective figures to be submitted at the hearing.

2. That requests should be made of the subcommittee for permission to make certain corrections to the record.

3. That Mr. Faulkner should suggest to the chairman of the subcommittee that he call upon the Secretary of Agriculture for the Galloway report as a necessary part of the subject matter submitted before the subcommittee, and that, as a matter of fact, the committee should not finally close the hearings until it has received and has had an opportunity of inspecting this report.

4. That the chairman of the subcommittee be informed that arrangements have been made with Gov. Stuart to go over the figures covering cattle sold by him and purchased by packers in New York.

5. That Mr. McManus, at as early a day as possible, suggest to Congressman Lever that his Farmers' Aid Bureau has jurisdiction over such an investigation as is contemplated under the Borland resolution and protest against any appropriation for such investigation unless such investigation be conducted under his jurisdiction.

6. A committee composed of Messrs. McManus, Faulkner, and Borders was appointed to take up these various matters and to go to Washington not later than the 12.40 train Thursday, April 27, for the purpose of taking up these various matters in Washington, and for the purpose of getting posted on the situation as it may have developed since the Stuart hearing.

7. A discussion was had in reference to the wishes of the packers in the event that the committee should finally report to Congress the Borland resolution, particularly whether the packers would prefer that such an investigation as is contemplated by the resolution should be made by the Federal Trade Commission or by a congressional committee. Mr. Borders was opposed to the matter being discussed at this time, or to its being suggested to the subcommittee, or any members of the subcommittee, that the packers have any other wish than that the Borland resolution be defeated before the subcommittee and not reported out. It seemed to be the general consensus of opinion, as developed by the discussion, that the parties present would prefer, in case it is impossible to kill the resolution before the subcommittee and it be reported out, that it should go to the Federal Trade Commission rather than to a congressional committee under ordinary circumstances, as there would be less publicity and probably less politics in an investigation by the Federal Trade Commission than by the usual congressional committee; but in view of the fact that the present Congress dies March 4, 1917, and if it could be arranged that the matter be referred to a congressional committee, such committee be given no perambulatory powers, or power to sit outside of congressional sessions, and with the fair certainty that the matter would be, for one reason or another, permitted to die in the committee, then apparently all parties present would agree that it would be advisable to have the matter referred to such a congressional committee.

8. It was also agreed that Mr. Borders, while in Kansas City Monday, April 24, would investigate Mr. Borland's political situation in Kansas City.

9. The question of the possibility of assisting the conservative elements in the Cattle Raisers' Association to get control of their associations, or of inspiring them to do so, was discussed, and it was agreed that some action looking toward that end should be accomplished by making suggestions to the conservative members of the associations through the proper channels and endeavoring to get them to take action.

Copies to L. F. S., R. C. M., A. D. W., W. B. T., C. J. F., M. W. B., J. M. C.

Mr. LASATER. Now, I would like to read you in this same hearing, volume 8, matter that is included from page 1949 to 1951d, addressed to Mr. Louis F. Swift.

The CHAIRMAN. By whom?

Mr. LASATER. By A. D. White. The heading is "Texas trip—Armstrong resolution."

Mr. HAMILTON. Who is A. D. White?

Mr. LASATER. My recollection is that he is the publicity man for Swift & Co., or at least one of Swift & Co.'s employees. I think that is his title.

Mr. DOREMUS. He was one of the members of that committee.

Mr. LASATER. The original committee which I first read of, White, McManus, and Chaplain.

The CHAIRMAN. Proceed.

Mr. LASATER:

The resolution introduced by George W. Armstrong at the convention of the Cattle Raisers' Association of Texas in Houston, March 23, reads as follows:

"Whereas, the Association has provided for a fund of approximately \$100,000 for the purpose of investigating and remedying marketing conditions in accordance with the recommendations of the American National Live Stock Association; and

Whereas, it is possible to accomplish this end in view in a more expeditious way by friendly negotiation and cooperation with the packers. Therefore,

Resolved, That the president and executive committee of this association are requested and directed to appoint a committee of three or more members of this association to confer with authorized representatives of the large packers with a view of reaching an amicable settlement of this problem without judicial or legislation action."

The minutes of the convention show that this resolution was adopted. The April number of the Cattleman, the official publication of the association, omitted the Armstrong resolution from its account of proceedings. The principal object of the writer's trip to Fort Worth was to establish the fact that this resolution was a matter of record on the minutes of the convention. This was established to my satisfaction.

The appointment of the committee under this resolution to confer with the packers further recognizes the resolution, and is as follows: E. C. Lasater, Fulfurrias; John Landergin, Amarillo; Robert Moody, Canadian; A. B. Robertson, Slaton; Sam Davidson, Fort Worth.

We know that the first two on the committee are very antagonistic. We feel the last two are inclined to be fair. Mr. Moody is not personally known to any of our friends, but is being looked up.

I would like to state here, Mr. Chairman, that I attended that convention. I was on the resolutions committee—no; I was not on the resolutions committee, but I was one of the members that was selected to defend the resolutions coming from the resolutions committee on the floor of the House as they were presented. There were two of us to which that duty was delegated, the president of the association, Mr. Callan, and myself. Neither of us knew of the passage of this resolution; neither of us ever heard of it until it was read before the committee that was hearing the Borland resolution here in Washington, when this resolution purporting to have been passed by the Texas Cattle Raisers' Association was read before that committee. After it got that publicity, then Mr. Callan appointed this committee to meet with the packers, and I will take pleasure in stating the results of that committee later.

This committee will have a preliminary meeting in Fort Worth on May 8, and it is presumed that they will communicate with the packers regarding a mutually satisfactory date for conference.

In order to clear up the record of hearing before the Judiciary Committee, Mr. W. D. Reynolds wrote to Congressman Carlin under date of April 29, as follows:

Mr. W. D. Reynolds and Mr. Nail are two cattlemen whom the packers induced to come here and appear before a subcommittee of the Judiciary Committee, which was hearing this Borland resolution.

"I appeared before your committee early in April, when a hearing was held on the Borland resolution to have the Federal Trade Commission investigate the packers.

"I presented to the committee a copy of a resolution adopted by the Texas Cattle Raisers' Association at their fortieth annual meeting, held at Houston, Tex., March 23, 1916. The record will show that another member of the association present at the hearing said 'he had not heard this resolution adopted at the convention.' "

That was Mr. Landergin, who was also in attendance at the convention and was prominent as one of the people formulating the policy of the Texas cattle raisers at that convention, and Mr. Landergin stated here—I think he made the statement under oath, if he was on the stand here, and I know he would not hesitate to do it—that he knew of no such resolution having been presented or passed.

"In order to establish the authenticity of this resolution, I secured from the secretary a letter of certification, which I inclose, and ask if you will be good enough to put it in the record of the hearing as official proof of the correctness of my oral evidence regarding the resolution, reading as follows."

I have read that resolution.

"Since my return from Washington I have been out on our ranches and have talked to some of the largest and most representative cattlemen of Texas and find that they are not at all in sympathy with the proposition of an investigation of any kind at this time.

"We believe in trying the plan approved by the Armstrong resolution, quoted in this letter, and in further evidence of this I might state that the committee to meet and confer with the packers has been appointed and will have a preliminary meeting here in the near future.

"Thanking you in advance for your consideration in clearing up the record in regard to the resolution, I am."

Inclosed with Mr. Reynolds' letter was an original letter addressed to him by E. B. Spiller, secretary of the association, reading as follows:

Agreeable with your request, we inclose you herein copy of the resolution adopted at our annual convention in Houston, Tex., on March 21, 22, and 23.

The record of the proceedings of the convention shows this resolution was adopted on March 23, which was the third day of the convention

TEXAS ASSOCIATION ASSESSMENT FOR MARKETING COMMITTEE.

A letter was mailed from Fort Worth April 27 to the membership of the Texas Cattle Raisers' Association inclosing copy of the resolution passed at the Houston convention, and also the report of the marketing committee of the American Live Stock Association; and, referring to the assessment of 5 cents per head on cattle registered with the association, 1½ cents per head being now due, a letter from the secretary states in part:

"We desire you to understand that this charge is separate from your regular membership dues and assessment and will not be charged against your regular accounts."

Mr. W. D. Reynolds had Messrs. S. B. Burnett, treasurer of the association; J. B. Googins, Fort Worth manager of Swift & Co., A. B. Cass, Fort Worth manager of Armour & Co.; Ellis Harding, a Fort Worth banker and myself, at his house for luncheon April 28.

That is, they were at Mr. Reynolds's house for luncheon.

This entire campaign and particularly the assessment were discussed, and Messrs. Reynolds and Burnett were very positive in their opinion that the more representative members of the association will not pay any part of this assessment. They personally are not going to, and say that Mr. Jim Nail, Mr. Tom Wagoner, and Mr. Kleberg, together with the people affiliated with them are going to ignore the assessment, and their friends in Fort Worth will use their influence to have as many as possible do so.

Mr. Googins feels very strongly on the matter and does not think they will get 10 per cent of the levy. I have asked him to inquire in 10 days or 2 weeks of Treasurer Burnett as to how the remittances are going in. It is our feeling that if the funds do not materialize, the lawyers and others interested in this agitation for personal pecuniary profit will not be very enthusiastic or aggressive in continuing the work.

The Texas association will probably be looked to to furnish a percentage of the returns from the assessment. In so far as the cattle are concerned, with which to carry on their work, and if they fall in this expectation it may show them very forcibly that the representative men in the cattle business in Texas do not approve of their campaign of attack but want to try to better conditions through constructive work and a conference as arranged for in the Armstrong resolution.

A. D. WHITE.

Now, I think I had better anticipate a little and right here place before the committee the last meeting had with the packers, as Mr. Swift himself brought that matter up in regard to the Borland resolution, which probably is responsible for this hearing.

First, gentlemen, I think it will probably make the sequence a little better if I state that you see now that Mr. White is in Fort Worth discussing matters with people directly connected with the Texas Cattle Raisers' Association. Now, I want to show you the methods they used to prevent passage of the Borland resolution.

This is a communication addressed to Thomas E. Wilson, president of Wilson & Co., from C. S. Bowman.

The CHAIRMAN. Give the date of it for the record.

Mr. LASATER. Kansas City, 7-8-16.

The CHAIRMAN. What does that mean—seventh month, eighth day, nineteen hundred and sixteen?

Mr. LASATER. Yes; I suppose that is the date. It is headed "Borland resolution."

Your telegram on this was received yesterday afternoon while I was away from the office. I reached Mr. Hill as soon as possible, and then decided that inasmuch as the people at the yards who might do us some good had already gone home for the day we would handle it this morning.

Mr. Hill circulated around among the commission men to ascertain how they stood and the joint result of our influence. Morris's, Armour's, and Swift's, was the sending of about 12 telegrams from commission men asking no action be taken at this time as it would be detrimental to the producer.

The CHAIRMAN. You are reading now from something else besides volume 8; please identify it.

Mr. LASATER. I am reading now from volume 9.

The CHAIRMAN. Of the same hearing?

Mr. LASATER. Yes; Washington, D. C., January 26, page 2014. There is a good deal of interpolation here which I will skip. I will give you the pages I read from, because it would make it too long if I put it all in.

Now, from the same volume, on page 2016, from the same party to the same party, just a continuation of the same report, I quote as follows:

Mr. Newman wired a friend of his in Kansas to have Congressman Taggart apply as much as pressure as could be done consistently to have the investigation stopped in the interest of the producer. Mr. Peter Goebel—

I would like to say that Mr. Goebel appeared here a few days since, representing the Kansas City Stock Yards, and make a statement before this committee in opposition to the recommendation of the Federal Trade Commission.

Mr. Peter Goebel, of the Commercial National Bank, wired Taggart along the same lines; likewise Mr. Prouty, of the Exchange State Bank.

On Monday Mr. Hill will see Mr. Cowgill, one of the directors of the Southwest Cattle Loan Co., a prominent cattle raiser, ex-State treasurer, and a Democratic politician, who will see Kemper, a prominent Democrat and president of the Commerce Trust Co., and together we hope they will do some wire pulling that will prove beneficial. They are able to do it, and we hope to accomplish it.

To-day we met Mr. Dorsey, a friend of Bill's and mine, a cattle raiser of Amarillo, who is going to the latter place to-night to attend a stockmen's convention. He is with us and will do what he can for us at the convention.

To-morrow morning I meet Mr. Hovey and will frame up a wire to Fuqua—

Mr. Hovey is president of the Exchange National Bank, located at the stockyards, Kansas City, Mo., and Mr. Fuqua is a banker of Amarillo, Tex.

Fuqua, president of a bank at Amarillo, an officer of the Panhandle Southwest Cattle Raisers' Association, and a very extensive ranchman himself. Hovey thinks without doubt Fuqua will go just as far with us in this proposition as he can, and that, being somewhat of a diplomat, will be able to handle the convention in the way that will at least not do us any damage.

The Mercantile Club, of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest.

Our friend Swinney, of the First National, also wired Senators Stone and Reed, stating it was an inopportune time to stir this matter up.

In short, we have as many lines working as we feel can do us any good at this time and intend to follow them up. I anticipate more can be done by Cowgill and Kemper on Monday than all the rest combined.

I had quite a long talk with Mr. Hovey of the Interstate this morning, who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergin, of Landergin Bros., of Amarillo, who testified in Washington a short time ago. Mr. Hovey was of the opinion a large majority of the cattle raisers were against us, which opinion was not shared by Mr. Collett.

The Mercantile Club of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest. Our friend Swinney, of the First National, also wired Senators Stone and Reed, stating it was an inopportune time to stir this matter up.

In short, we have as many lines working as we feel can do us any good at this time and intend to follow them up. I anticipate more can be done by Cowgill and Kemper on Monday than all the rest combined.

Then follows the same statement in regard to Mr. Hovey and Mr. Landergin.

Mr. Hovey was of the opinion a large majority of the cattle raisers were against us, which opinion was not shared by Mr. Collett.

Mr. Hovey feels the packers are giving the public a square deal, and this being the case, should court an investigation as to cost alive, cost to manufacture, and selling price.

All of the packers were working on this this morning, prominently among them C. W. Armour.

P. S.—Since the above was dictated, I have talked to Collett by phone, who stated Swinney wired Senators Stone and Reed to "put the skids" under this proposition and get rid of it. Downing, president of the New England National, also wired; likewise Huttig, president of the National Reserve Bank. Mr. Collett told me he would be in Chicago next Monday and here Tuesday. Perhaps you will get a chance to see him.

(Signed) C. S. BOWMAN.

Copy sent to F. E. White and Nelson Morris, 7-1-16.

Now, I read this for the purpose of showing that the live-stock organizations are not the only organizations that the packers keep a tab on—

The CHAIRMAN. You say you will read "this," but you do not say what you are going to read.

Mr. LASATER. I will state now. This is a letter addressed to Mr. T. E. Wilson, from the same man, Bowman, under date of 9-30-16, Kansas City:

Referring to my wire to you this morning—

Mr. SANDERS. What page?

Mr. LASATER. Page 2111 of the same volume 9.

Referring to my wire to you this morning, a rather innocent appearing resolution was offered by Webb, of the First National Bank, San Angelo, Tex., in the A. B. A. convention Thursday.

That is, the American Bankers' Association.

I haven't a copy of it, but will get one and send it to you. The essence of the beginning was that this Nation is an agricultural one, and its resources are being exhausted; that no great nation like ours ever succeeded, on the contrary went down to defeat, if it did not husband the industries of the soil. Then in the center of the resolution was copied in almost identical language from Congressman Borland to the effect a congressional investigation should be made to arrive at the reason for the price paid to the purchaser and the price paid by the consumer for meat. While packers' names were not mentioned, it was squarely intended for us.

Mr. Hill and myself did some missionary work with the bankers we knew, among them Mr. Swinney, of the First National.

Mr. Nelson Morris, also Mr. Rich, of Swift's, did some work. Yesterday afternoon Mr. Webb got up and withdrew his resolution. It is quite evident pressure was brought to bear to make him do so.

This brings to my mind clearly we will have to watch meetings of this sort to prevent resolutions that are apt to be railroaded through without anyone being aware of the import of them.

Some member of the association was seated near Webb when the resolution was offered and arose and said he considered it of enough importance to have it referred to a committee, to which the convention finally agreed. I do not believe 10 per cent of the association knew what it was about, and if there had not been some opposition it would have been voted in on their records.

We have no reason to think there will be anything further objectionable of this sort made a matter of record with the association.

O. BOWMAN.

Mr. DOREMUS. Have you explained who Bowman is?

Mr. LASATER. He is an employee of Wilson & Co.

Now, I would like to read a letter found in the same report, page 2115, to George R. Collett, of the Kansas City Stockyards Co., and my understanding is he is the manager of the Kansas City Stockyards, Kansas City, Mo., from Thomas E. Wilson, president.

Mr. RAYBURN. What date?

Mr. LASATER. October 3, 1916.

OCTOBER 3, 1916.

Mr. GEORGE R. COLLETT,
The Kansas City Stock Yards Co.,
Kansas City, Mo.

DEAR GEORGE: I have your letter of September 30, inclosing copy of Feeding and Marketing publication, for which please accept my thanks.

You are correct in the assumption that I was posted on the resolution offered by Mr. Webb. I think Mr. Traylor did good work on this proposition, and, of course, he was ably assisted by yourself and the others on the ground in defeating the resolution.

On the Ruddy matter it seems to me that somebody will have an opportunity to burn his fingers before long.

Yours, very truly,

THOMAS E. WILSON, President.

Now, I would like to state that I was present at this convention of the American Bankers' Association, not as a delegate, but I hap-

pened to be in the city on other business, and I attended several meetings. I knew a number of the Texas bankers, and I suggested to several that a resolution of this kind would be appropriate for the bankers to pass. They agreed with me, and stated that if I would draw the resolution they would present it. Mr. Webb finally decided to present the resolution; but he also stated—it was toward either the second or the third day of the convention—that he did not think there would be any possibility of passage for the reason that it could only be passed by the vote of the country bankers; that the large banks, the metropolitan banks, had a much more effective organization than they did, and if the matter met with opposition he was satisfied the metropolitan banks would be able to defeat it.

Now, I would like to read that resolution to this committee to see if there is any reason, in your estimation, why it was not pertinent for this association to pass, inasmuch as for some years back, the American bankers have had an agricultural committee that has spent some money to encourage, from their standpoint, improved farm methods and to increase production.

The resolution is as follows:

History records that only such nations have endured as have given heed to the conservation of their soil fertility. The facts are that in all time there is no record of any nation having mined and dissipated this priceless heritage with such a degree of careless abandon as ourselves. With thousands of acres of virgin land being brought annually under the plow, we have reduced our annual average production of grains per acre to about 50 per cent of the production of our virgin soil, producing to-day less than half the average per acre of European farms—this, while yet our Nation is in its infancy.

And, whereas, it is recognized by soil economists that animal husbandry is the most economical method of conserving and of building soil fertility, we face the alarming fact that for the past 20 years the production of cattle in the United States not only has not kept pace with the increase of population, but has decreased in numbers: Now, therefore be it

Resolved by the American Bankers' Association in convention assembled, That the Congress of the United States be petitioned to order an investigation by the Federal Trade Commission into the production of cattle, the marketing of cattle, the slaughter of cattle, the distribution and sale of all products therefrom, in the hope that means may be found by which this important agency in the conservation of soil fertility may be increased and the masses of our people be supplied with this wholesome food product at a reasonable cost; and to the further end that reliable data may be secured by which the value of loans based upon cattle as collateral may be judged, so that the banking interests of America may cooperate with the farmer in developing the live-stock interests to the maximum limit, thereby increasing the fertility of our farms for the benefit of future generations and the safeguarding of the hundreds of millions of dollars invested in farm mortgages.

I would like to state that the banker who objected to that resolution was Mr. Traynor, as stated by Mr. Wilson, who was at that time president of one of the stockyard's banks at Chicago. He has now been promoted to second vice president of the First National Bank of Chicago, and president of a trust company connected with the First National Bank.

Mr. HAMILTON. What is his name?

Mr. LASATER. Traynor, a very young and aggressive man, from Texas, and a good banker.

Now, gentlemen, Mr. Swift in his testimony, made mention of a certain meeting that took place between the packers and representatives of certain live-stock interests.

The full minutes of that meeting are to be found in volume 9, hearing of the Federal Trade Commission, pages 2205 to 2219, both inclusive, and the date of the meeting was December 7, 1916.

I will only read certain portions, but I have given you the pages, and you gentlemen can refer to it and have it copied in the record, if you so desire, but what I want to read to you is the resolution passed jointly, or that was agreed to jointly, by the packers and this bunch of live-stock representatives:

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose; the bankers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item.

Now, Mr. Armour represented Armour & Co., assisted by Mr. Meeker, his vice president, Mr. Louis Swift took part, Mr. Edward Morris, young Mr. Cudahy, representing his father, and Mr. Veeder also was present assisting Mr. Swift.

The CHAIRMAN. Was Wilson represented?

Mr. LASATER. Mr. Wilson was present in person, representing Wilson & Co.; so you see that finally the packers agreed to join us in bringing about such an investigation. This was on December 7, 1916.

On motion of Mr. L. F. Swift, Mr. Dwight B. Heard was elected chairman. On the motion of Mr. de Ricqlès, Mr. Traynor was appointed secretary.

Mr. HEARD. Would like to hear from you gentlemen as to the purpose of this meeting.

Mr. ARMOUR. I suggest some remarks from Mr. Burke.

Mr. BURKE. I understand that the meeting held Monday was for the purpose of finding a basis upon which the packers and the live-stock men might come together. The packers have been asked to consider whether they would support or agree to a Federal Trade Commission investigation. Would like to know now what the decision of the packers is.

Mr. L. F. SWIFT. Will Mr. Burke explain just what this investigation covers?

Mr. BURKE. The investigation would cover everything material to the live-stock and packing industry, without charging anyone with crime.

Mr. ARMOUR. Will the investigation be limited to the packers only?

Mr. BURKE and Mr. FISHER. It will not be necessary to mention the packers by name.

Mr. L. F. SWIFT. I suppose that the resolutions before Congress will be eliminated or modified?

Mr. FISHER and Mr. BURKE. The resolutions will be modified.

Mr. FISHER. The Federal Trade Commission will start the investigation with the corporations and will extend to everyone having relations with the corporations.

Mr. Veeder asked to explain the Federal Trade Commission proceedings and pointed out that when the commission, after its private investigation, believes that unfair practices exist, it has the authority to file a complaint.

Mr. Fisher and Mr. Veeder discussed the operation of section 5 and section 6 of the Federal Trade Commission act.

Mr. FISHER. I favor an investigation under section 6, which calls for an investigation of corporations.

Mr. VEEDER. I favor an investigation under section 5, which gives the commission power, on its own initiative, to investigate any person, firm, or corporation for the purpose of determining whether unfair practices have been employed.

Mr. FISHER. It is my opinion that Congress can not order an investigation, excepting under clause D of section 6, which directs the Federal Trade Commission to ascertain whether a corporation has been violating the anti-trust laws.

Mr. DE RICQLES. Can the Traders' Exchange be brought in?

Mr. HEARD. Who determines whether certain practices are unfair?

Mr. VEEDER. The Federal Trade Commission.

Mr. ARMOUR. The question for consideration is how we can get the investigation made. My understanding is that the Federal Trade Commission has all the power given to them by the law; that the powers of the Federal Trade Commission will not be restricted by the resolution now under discussion.

Mr. FISHER and Mr. VEEDER. We confirm Mr. Armour's understanding.

Mr. FISHER. The Federal Trade Commission has gone on record that they have no money to conduct the investigation asked for by Mr. Doolittle, and that the real thing in question is an adequate appropriation.

I suggest that the Federal Trade Commission draw the resolution, because all we want is the appropriation.

Mr. VEEDER. The commission can make broad investigation on own initiative. If Congress directs investigation, must be limited. How can we get the matter before the commission so that they can make investigation?

Mr. FISHER. The commission wants Congress to direct them to make the investigation, so that the commission will have the necessary funds.

Mr. VEEDER. Let us agree on a resolution of Congress directing that a sufficient appropriation be made to allow the Trade Commission to make such investigation of industry as is necessary.

Mr. FISHER. I think that this might do.

Mr. VEEDER. We all agree that we don't want a narrow investigation.

Mr. FISHER. We are only interested in the results, not in the method. If we can put a resolution through Congress as Mr. Veeder suggests, I think that it will be satisfactory, and I will approve of anything that the speaker or experts in congressional procedure would agree upon.

Mr. HEARD. Why not fix amount of appropriation?

Mr. FISHER. This is a short session of Congress. Only emergency or deficiency appropriations considered. Think special appropriation would not get through.

Mr. VEEDER. We all agree that we do not want a narrow investigation; therefore, offer the following resolution:

WORKING TO THAT OLD PLAN.

"Resolved, That Mr. Walter L. Fisher be appointed a committee of one to determine how a resolution can be got through Congress giving the Federal Trade Commission a sufficient appropriation to allow them to make a thorough investigation of the entire live stock and meat industry."

Mr. LASATER. I second the motion.

Mr. HEARD. I call for discussion on the motion.

Mr. L. F. SWIFT. If we go in, there must be no mud slinging or gallery playing. The investigation must be along business lines.

Mr. VEEDER. The procedure which will be followed in investigation controls this. Suggest that consideration of that feature go over until we get Mr. Fisher's report.

Mr. L. F. SWIFT. I will not commit Swift & Co. to go in for a fight. If they go in, it must be with good intent and there must be no fight.

Mr. ARMOUR. I repeat for Armour & Co. what Mr. Swift has said.

Mr. FISHER. You gentlemen are on thin ice. There may be some differences of opinion. If unfair practices come up we would have to speak about them. Will not commit myself as to manner in which would present interests of my clients. Would press their case with all vigor possible.

Mr. L. F. SWIFT. An investigation can be conducted in two ways; either fair and businesslike or like a court trial.

Mr. VEEDER. Mr. Swift wants the investigation to bring out the truth.

Mr. HEARD. Stockmen want investigation to be entirely fair, but must be very thorough.

Mr. DE RICQLES. History of this movement is that the resolution introduced at El Paso contemplated investigation of packers and stockyards and the indictment of individuals. The market committee has since been convinced that the question is a very big one and that the El Paso idea is erroneous. Market committee now wants to make broad investigation. Some members object to investigation of producers. I realize that we can get nowhere if we start to indict. We will stand on our rights, but try to treat each other like gentlemen.

Mr. BURKE. I view the attitude of the association from a different angle than Mr. de Ricqles. It was only "hotheads" that wanted to indict and convict. Nine-tenths of the association did not have this idea, but wanted only to find the trouble so as to apply constructive remedies.

Mr. HEARD. Yes. Mr. Burke is right. There is discontent among the cattlemen. We must go to the end and thrash out fairly.

Mr. LASATER. Constructive work must be done, founded on truth.

Mr. L. L. SWIFT. Packers think investigation not necessary. Therefore, don't think should join in request.

Mr. HEARD. Even if it is not necessary, my opinion is you should make no opposition.

Mr. KENDRICK. I have no rancor. Think there are few men who don't appreciate having great live-stock markets where can consign goods. All I ask is that conditions allow us to get value for my live stock on competitive market. I want no discrimination against any individual live-stock men. Don't feel that we need to stand for it. We can't afford to let misunderstanding go along. I think packers should insist on investigation. Things look better to me than they used to, but there is too much fluctuation in prices. Should be more stable. Don't want any benevolence. Want buyer to buy on the square.

Mr. L. F. SWIFT. If the matter is handled carefully, we can get along with very little publicity. If any unfair conditions exist, we want them stopped. We want open, competitive markets and want products to sell what they are worth.

Mr. BURKE. Mr. Swift—are willing to make it easy for outside competitors to come in, or rather are you willing to make it not impossible?

Mr. L. F. SWIFT. Mr. Burke, do you want "cut-throat" competition? There is such a thing as "cut-throat" competition.

Mr. TOD. Ninety-five per cent of men in industry want fair and reasonable thing—no mud slinging.

Mr. BURNE. By owning stockyards you men make it hard for outside competitors to get into markets, because you control the granting of the sites.

Mr. ARMOUR. The stockyards can't give sites. The Interstate Commerce Commission won't allow it.

Mr. FISHER. People have told me that they want to be located at stockyards, but can't. Don't know if this is true. Think should put all stockyards under Interstate Commerce Commission or other commissions.

Mr. HEARD. Mr. Armour, do you object to stockyards being treated as public utilities?

Mr. ARMOUR. No.

Mr. VEEDER. Stockyards can not donate sites.

Mr. WILSON. Does Mr. Fisher figure on working out his plan through using the Borland resolution? If so, think great mistake. No results can be obtained without stripping the question of all venom. Wilson & Co. does not want to enter this arrangement as defendant, but is willing to go in on equal basis with cattle raisers.

Mr. FISHER. I tried to fix this with representatives of packers in Washington. Talked to Mr. Meeker and others, but could not get anywhere.

(At this point Mr. Meeker, who has been away since just before the discussion began, returned.)

Mr. FISHER. We can substitute the right kind of a resolution for the Borland resolution.

Mr. TOD. Mr. Wilson is right. We should wash the slate clean.

Mr. KENDRICK. Disapprove any plan for carrying on cooperative effort for Congress that does not commit all to cooperation and help. Simple acquiescence won't go.

Mr. LASATER. We want action. Want to go to Washington on this trip and finish it up.

Mr. KENDRICK. Cattlemen understand what is wanted and are going through with it. Should now agree on plan.

Mr. MERCER. Think Trade Commission should suggest procedure. Mr. Fisher should take up with them. Am sure Borland will get out of way. Mr. De Ricqles was right in his remarks about attitude of El Paso convention.

Mr. VEEDER. Understand packers will withdraw opposition if procedure can be devised under which Federal Trade Commission can make general investigation. It is a question of procedure.

Mr. ARMOUR

er go ahead on understanding he already has.

Mr. FISHER. I agree with Mr. Mercer about getting opinion of Trade Commission as to procedure.

Mr. FISHER. You gentlemen seem willing to indicate lack of opposition to this measure. Mr. Kendrick thinks you should join in it.

Mr. ARMOUR. It would be queer if we joined in request to investigate our own business.

Mr. FISHER. It would not be queer, although you might hesitate to do so.

Mr. TOD. Resolution only asked for appropriation of \$142,000, didn't it?

Mr. FISHER. Yes. Packers should remember that cattlemen also asking for investigation of themselves.

Mr. KENDRICK. Packers and live-stock men should divide responsibility.

Mr. ARMOUR. I am willing to leave it to Mr. Fisher.

Mr. TOD. Think should be Mr. Fisher and Mr. Veeder, jointly.

Mr. LASATER. Think should be Mr. Fisher and Mr. Veeder, jointly.

Mr. MORRIS. Think both Mr. Fisher and Mr. Veeder should be in position of representing both sides. Want take broad view. Willing have investigation—not because necessary, but because you think necessary.

Mr. LASATER. I thought Mr. Veeder's motion put Mr. Fisher in position of representing both parties.

Mr. CUDAHY. Won't oppose investigation, but can't support.

Mr. L. F. SWIFT. Can't agree to push investigation.

Mr. HEARD. Understand you have no objection, but will go along.

Mr. LASATER. I suggest pending motion be amended so that committee consist of Mr. Fisher and Mr. Veeder.

(At this point the packers retired to another room. Each side drafted resolution. Upon reconvening, live-stock men offered following resolution:)

Resolved, That Mr. Walter L. Fisher and Mr. Henry Veeder be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item."

(After discussion, it was amended to read as follows:)

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose; the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item."

Mr. LASATER. I offer this as a substitute, for the pending Veeder resolution.

Mr. TOD. I second the substitute.

Mr. MORRIS. I think we should cover the matter of charges and naming particular persons.

Mr. FISHER. Everybody understands that.

Resolution was then altered to read as follows:

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live stock and meat industry, and to determine on what phraseology (without specific charges against particular parties) of a resolution or appropriation bill, or item will properly accomplish this purpose; the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item."

It was put to a vote—unanimously carried.

Meeting adjourned at 1.30 p. m.

W. S. TRAYNOR.

Now, if you follow the records of Congress, you will find there was some force just as active in opposing the investigation from that time on as we had met with prior to December 7, 1916. If it was not the packers, I can not imagine who it could have been.

Now, Mr. Swift did not mention to you a meeting that took place on the Monday previous, at the solicitation—I want to add here that this meeting was not brought about at the solicitation of the cattle producers, but at the request of the packers.

After the Market Committee had agreed to this meeting, then they arranged through Mr. de Ricqles, who at that time was a member of the Market Committee, for a meeting between certain members of the Market Committee to take place at the Blackstone Hotel the previous Monday. The live-stock producers who met the packers at the Blackstone Hotel——

Mr. HAMILTON. That hotel is in Chicago?

Mr. LASATER. In Chicago were Mr. de Ricqles, Mr. Burke, and myself. The packers present were Mr. Armour, Mr. Wilson, Mr. Swift, Mr. Morris, and a son of Mr. Cudahy, the president of the firm of Cudahy and Co.

Now, I was at a loss to know the meaning of that meeting and I am to-day, and I have no explanation to offer because these gentlemen brought nothing new before us. They made the same statements that the committee had made at Fort Worth, I think it was in May previous, May 8, when these same people with the exception of Mr. Armour were present. At the Fort Worth meeting, Mr. Meeker represented Armour and Co., and I do not recall Cudahy being represented, but Mr. Louis Swift was there in person, and Mr. Edward Morris was there, and Mr. Wilson, representing Wilson & Co.

Mr. HAMILTON. Was at this Blackstone meeting that they declared in favor of an investigation by the Federal Trade Commission?

Mr. LASATER. It was a subsequent meeting. I will tell you what took place at the Blackstone meeting, if you will permit me. It was this: Mr. Armour was chief spokesman, and he went on to state that they realized they had been foolish in permitting the live-stock producers to get into a hostile camp to the packers, but “because we have been foolish, there is no reason why we should remain foolish. Now, we recognize we are only the agents of the live-stock producers. We handle your product and we should be at peace. Now, we want you all to dismiss and quit your attempt to bring about this investigation. It will do no good. It will simply agitate the country and lessen the consumption of meat products. Naturally, if the consumption is lessened, it is going to affect prices and lose the people whom you represent money.”

Now, they had made that same talk to us at Fort Worth, and it was made by one after the other with a little different phraseology by Mr. Armour, Mr. Wilson, and Mr. Swift.

After some time I made about this statement in reply:

That in the January previous at El Paso the American National Live Stock Association had decided to attempt to bring about an expose of market conditions, and an expose of the real conditions of the live-stock industry by some national agency; that from my standpoint it would be foolish in us to now attempt to settle these fundamental economic questions by some agreement with the packers; that I felt it was absolutely necessary for the Nation to realize the situation of the producers before we could have any remedy that would make our business worth while; that I did not feel, for one, like I cared to pass on to my children the business of live-stock production when

five men had the absolute power to price the product we produced; that I knew the producers themselves could not effect any legislation; that the majority of our people were consumers, and that unless the consumers of the country realized the situation we ourselves then could not cope with it.

Then they addressed themselves to persuading us, when we met at the meeting which had already been agreed to at Swift's office the following Thursday, I think it was the 7th, to not bring any legal representative. Mr. Walter Fisher had been employed by the market committee to represent them in these matters. Mr. Armour stated he wanted the producer and the packer to get closer together, and stated we did not need any attorney; it was just a matter for us to discuss and to reconcile. Mr. Burke answered that proposition and stated that Mr. Fisher was our representative and we would insist on his being present. After much discussion it was finally agreed, "If you gentlemen are going to have a legal representative we will have ours present," and they did, and after much discussion the resolution that I have read was the result of it.

Now, we had three meetings during 1916 with the principal of these packing houses. At none of those meetings did they take the position that they did not fix prices on live stock, but their contention was that they regarded themselves as our distributing agents, and that they treated us fairly. Here I hear all of them denying positively that there is any combination or any ability to fix prices, but I state to you, gentlemen, that in none of the three meetings that I have mentioned, two in Chicago and one in Fort Worth, did any of these gentlemen state or contend that they did not have the power to fix prices. We knew they had it.

Mr. HAMILTON. At those meetings, was it contended to them that they were controlling prices, and was there a protest to that?

Mr. LASATER. No.

Mr. HAMILTON. And as I understand you, they did not deny that they were controlling prices.

Mr. LASATER. They did not deny that it was in their power to control prices, but they would always fall back upon the proposition that they always paid the highest price for cattle that they could market the product from the cattle for.

Mr. HAMILTON. Did they on those occasions admit that they were controlling prices?

Mr. LASATER. They certainly did, or, that is, they did not take issue with us on the contention. Prior to that time, they had always contended that the law of supply and demand governed, but they knew we were people who understood conditions. And the entire burden of their talk was to do away with any investigation that would get at the facts, to let the light in on the facts. They wanted to avoid that issue.

Now, gentlemen of the committee, I want to mention this fact: I have not the time to turn to it, and perhaps it would encumber your hearing too much to read all of the correspondence, but Mr. de Rickles was one of the parties instrumental in starting this agitation that brought about the investigation. Shortly after this meeting in Chicago, Mr. de Rickles advised us that he had a change of viewpoint; that he thought we better cooperate with the packers. If you

care to go into it, Mr. de Rickles is a ranchman; that is, he buys young stuff and matures it in the Northwest; he is also the head of a loan agency, handling large amounts of cattle paper. You will find that the packers broadened his fields for marketing his loans, and he had a change of viewpoint. He no longer agreed with us.

Now, you will find when you go into it that the packers have been most active in influencing, as they planned to do back in the spring of 1916, the conservative element in all cattle organizations.

Mr. HAMILTON. And as I understand, the packers proposed a cooperative arrangement between the growers and the packers to fix prices.

Mr. LASATER. Yes; but they never got that far. They wanted us to come and unbosom ourselves, that they would rectify matters. It would ultimately have led up to that situation had we undertaken to do that.

Now, Mr. Congressman, I see the way your mind is tending, and I want to read to you—although I do not want to make the record too voluminous—but in order to show you that the packers only conceded what they had to concede from time to time and never acted in good faith, I ask permission to read this—

The CHAIRMAN (interposing). What is that?

Mr. LASATER. This is a paper headed, "Prospectus for a sales-directing agency to be organized under the auspices of the Cattle Raisers' Association of Texas acting through the executive committee." That was passed upon, my recollection is, in 1911 by an association that met in Fort Worth, Tex. This is what we proposed to do, but it met with the opposition of every packer bank and commission house, and we realized it was impossible to bring this about without their cooperation. You will find that the five big packers, through their banking organizations, practically dominate live-stock credit.

The CHAIRMAN. You may now read that. You have stated what it is so we understand it.

Mr. LASATER. All right. This was in 1911.

(And the paper offered and read by the witness is as follows:)

Prospectus for a sales directing agency to be organized under the auspices of the Cattle Raisers' Association of Texas acting through the executive committee:

Style of concern: Texas Cattle Raisers' Sales Directing Agency; capital, \$3,000,000. Object of the Texas Cattle Raisers' Sales Directing Agency, the directing of the marketing of cattle, sheep, and hogs, and the loaning of money upon chattel mortgage with live stock as security. Capital required to be raised as follows: \$1,500,000 to be subscribed by the members of the Cattle Raisers' Association of Texas, this being at the rate of \$1 per head on cattle rendered to the association; \$1,500,000 to be subscribed by other interested parties. After its organization it would be controlled by its stockholders, but the election of directors and officers of said company would be subject to confirmation by the Cattle Raisers' Association of Texas, through its executive committee. The chief office of the Cattle Raisers' Sales Directing Agency would be at Fort Worth, Tex., with branch offices at Kansas City, St. Louis, and Oklahoma City, Okla.

The advantages to the Texas live-stock producer in creating the Texas Cattle Raisers' Sales Directing Agency would be as follows: The distribution and marketing of Texas and Oklahoma cattle would be handled by one governing brain that would have at its command exact data as to the supplies to be offered in a given time, and would be in position to know where these supplies could be consumed to the best advantage.

As the marketing of cattle is at present organized the producer of cattle has no means of gathering or possessing information that would assist him in marketing his cattle intelligently—that is, to place a given class of cattle upon the market that at that time would pay the most money for them—and while there are many capable and efficient individuals engaged in the general livestock commission business, the way that business is at present organized at the different market centers of the country they are incapable of rendering efficient service to the clientele. The fact that the buying interests largely act in concert and that there is no directing mind controlling the selling interests places a heavy handicap upon the selling interests in favor of the buying interests. The ultimate goal to be desired is that the products of the producer be placed in consumers' hands at lowest possible cost for distribution. This sales directing agency is the first step in that direction, and we think the logical one. It would enable the producers of live stock to place their cattle, hogs, and sheep upon the market where they can be used to best advantage, thereby eliminating waste through shrinkage and unnecessary freight. This within itself would be a great improvement over present conditions. It would substitute plan and methodical procedure for what is now absolute chance, and would teach the producers of live stock the value and benefits to be derived from co-operation.

The sales directing agency would disseminate to its clientele and to the public generally the following information:

First. Have the sales directing agency obtain by wire at the close of business—say each Friday—the prices last paid on the hoof for Texas cattle at each of the main slaughtering points—say Fort Worth, East St. Louis, and Kansas City—and say for two grades—medium and good.

Second. Obtain in the same way at the same time from the leading points where the dressed beef is sold—say New York, Philadelphia, and one or two other Eastern points, as well as St. Louis and Kansas City—the prices paid for carcasses of the same two grades.

Third. Make up an actual beef test, just as the packers do, except that instead of allowing normal prices for the offal, we would fill in on such tests the actual market price at point of slaughter for each offal item. The test made up in this way at the end of each week would give not only the prices paid for cattle, but the prices last realized by the packers for the dressed beef, and the actual net profit made by the packers on our product.

Fourth. When sending out such tests to our members request them to advise the association as nearly as possible of their probable shipments for the following 30 days. These advices would be carefully tabulated, and from them the association would send to each prospective shipper the best information possible as to the best market to which to ship.

In the face of this information and the publicity given to it, we do not think the Beef Trust could continue to rob both producer and consumer as they have been doing for some years past.

Mr. LASATER. That plan was indorsed by the Texas Cattle Raisers' Association.

Mr. HAMILTON. The purpose of that was to stabilize prices among producers.

Mr. LASATER. That was the purpose of that and nothing else. The purpose of that was simply to cut out what we realize is a great waste in the way that cattle are marketed. There is no question about that. Nobody, who has gone into the business, would make any effort to controvert that fact. That effort was an attempt to eliminate some of that waste and to organize and create a better system of financing the cattle industry than we have to-day.

The CHAIRMAN. That was in 1911?

Mr. LASATER. Yes, sir.

The CHAIRMAN. And the packers wouldn't do that?

Mr. LASATER. No, sir. I want to say this, Mr. Chairman and gentlemen of the committee, that many years ago, when these original packers, Armour & Co., Nelson Morris & Co., and Swift & Co. were handling the packing business, they kept more or less in touch with

the live-stock interests, but I will state that until this agitation started, I had never met any one of the younger packers personally. Since this agitation started, I have met them all, always at their request.

Mr. HAMILTON. Was there a purpose also to regulate prices?

Mr. LASATER. That would have been impossible, but it would have put us in a position to have forced the packers to have at least treated with us for our product.

Mr. HAMILTON. It would have enabled your organization to establish prices at which they would sell to the packer, to some extent at least?

Mr. LASATER. To some extent it would have had that result.

The CHAIRMAN. You may now go ahead with your statement, Mr. Lasater.

Mr. LASATER. Now, I think it may be just as well for me to give these facts here. If you recall Mr. Swift's testimony—but I think Mr. Wilson and Mr. Morris said the same, I do not recall Mr. Armour's testimony on that point to you gentlemen; but, at any rate none of them could recall anything that could have created friction between the packers and the producers prior to the foot-and-mouth disease in 1914. I have been a shipper of cattle for many years, and since a boy of 16 years I have been actually engaged in the production of live stock. I have marketed numbers of cattle in a speculative way and also as a producer on the markets of the country. I think in 1889, or perhaps in 1888 I reached Chicago with a trainload of cattle, two trainloads in fact, composed of some 30 cars of cattle. My commission man or firm at that time was Scaling & Tamlin, and Mr. W. L. Tamlin was handling the Chicago office of the firm and he was the cattle salesman for the firm. All the packers knew him and he was one of the best salesmen on the market, a live and intelligent man.

I went to their office early in the morning, before the market opened, and I had already wired ahead and advised that I would be there, and I saw Mr. Tamlin. He said he would order a horse, and we would ride around and see the cattle unloaded and yarded. When the cattle were unloaded and Mr. Tamlin saw them, he remarked to me, "You have a good string of dressed beef." I said, "Colonel, what will they bring on the market to-day?" He said, "I know of no reason why we shouldn't have as good a market to-day as on yesterday, and this string of cattle would have brought \$3.40 yesterday on the market." That morning was one of the slow mornings for the packers to get out and to take hold, and finally Mr. Tamlin sold one pen of three cars, though I do not know the name of the buyer, but to an outside shipper, at \$3.25. That was 15 cents less than he thought he was entitled to for the cattle that day. But what happened? The packers took the balance of that string of cattle at \$2.70 a hundred.

Now, gentlemen of the committee, that man was one of the good minds on the market, beyond any question, and he failed to guess their value as judged by the market of the preceeding day; that is, he failed to guess what they would bring on the market by 70 cents. That, of course, meant quite a nice profit to them and a very great loss to me.

Mr. Swift said we could tell when we loaded our stuff about what we were going to get. I tell you gentlemen that I had that experience then, and I have had other experiences, and it shows that none of us can guess within 50 cents to a dollar a hundred what our stuff will bring on the market.

Mr. HAMILTON. That was 31 years ago. Have you repeated that experience?

Mr. LASATER. Yes, sir; and right at this point, I will repeat one that happened in 1917.

But before I relate this, let me go back a little so that we may have a sequence to the story. I have just read into the hearing of the sales directing agency. Now, the agitation that brought that about was this: In the spring of 1911 there was experienced one of the most disastrous years the feeder of cattle ever experienced. That was one of the years I guessed wrong. I fed quite a string of stuff. If you will go into the records, you will find that 1911 is one of the years the packers were active in getting control of the slaughtering business of Argentina. I was not well informed on that, and I argued from prices cattlemen had received previously that 1911 ought to be a good year to have stuff, so I attempted to get in what I considered would be a good spot. But I did not know of the packers' world-wide move, and I did not know of their need for money, what it might be, and I made a mistake.

You will find that the packers took from all to two-thirds of the grain crop fed into cattle from December, 1910, until June, 1911. I marketed within that time about 5,000 steers. In my section we fed what we term cake on grass; that is, cottonseed product, and we fed it on the range. I lost about my feed bill. It was something like \$100,000.

Then, if you will follow the record down, you will find that in July, 1911, the market on cattle was pushed up a dollar a hundred, the only time I can recall, and I think the only time it ever happened in the history of the trade. The reasonable thing to expect is that as grass cattle begin to run from out of the Northwest and off your blue-grass country, you will find cheaper prices. But at this time the packers realized that they had skinned the country too closely and something had to be done to reassure producers. In the face of normal conditions and the normal thing to expect, they pushed the market up practically \$1 a hundred.

And from June, 1911, on for two years we had a good market, practically, until the European war started, and——

Mr. HAMILTON (interposing). When did these packers start in Argentina?

Mr. LASATER. My recollection is in 1909, but the big fight between the English men and the packers began in 1910. The English man had only his capital to lose and the packers had a machine back here by which they could come back and take the proportion of the grain crop that they needed to fight their battles with in Argentina.

Mr. STEPHENS. You say they took practically two-thirds of the grain crop in 1911?

Mr. LASATER. I think you will find that is so, and in many cases it was a little more than that. My feed was around \$20 a head, and I fed around 5,000 steers, in round numbers, so that it may have amounted to \$108,000 or \$110,000.

One reason I for one have not been in favor of treating with the packers was, even if we could come to an understanding and have two or three prosperous years, that would amount to nothing for those who would come after us, and it settles no economic problems. So that those who have stayed with me in this fight have insisted that we have a show-down and let the country see the situation, otherwise there would be no hope for us.

Gentlemen of the committee, if farming is the foundation of all business prosperity, certainly the live stock industry on the farm has got to be maintained, because you can not maintain fertility without it. Government reports say that the South produces 17 bushels of corn per acre—that is the average. Figure 50 acres to a man, and 50 cents a bushel as the price, which is more than the average price, and you have a return that will not maintain a family well; no, not even decently, under present conditions. Iowa to-day I think has an average of 27 bushels of corn to the acre. When you realize what it produced on an average a few years ago and that it has dropped to 27 bushels an acre now, you come to realize that one of the greatest live-stock States in the Union has got to a point where fertility of the soil must be seriously considered.

Now, gentlemen of the committee, all these packers who have appeared before you have announced that when this investigation started they expected the investigation to cover not only slaughtering and distribution of meat products, but the live-stock industry. That is true. We asked for it in our resolutions adopted at El Paso, and we have consistently fought for it ever since, or did fight for it until the President ordered the investigation.

The packers have attempted to leave this committee under the impression that the Federal Trade Commission was responsible for no investigation on the cost of live-stock production. I want to give you gentlemen the facts. Under date of Washington, February 7, 1917, the President addressed this letter to Mr. William J. Harris, chairman of the Federal Trade Commission. I will not read the entire letter. I only want to read that part of it that pertains to what we are discussing now.

The CHAIRMAN. You only intend to read a part of it, but you will put the whole letter in.

Mr. PARKER of New Jersey. Mr. Chairman, the whole letter was put in the other day and is in our records.

The CHAIRMAN. Very well, you need only read the portion to which you refer then.

Mr. LASATER. That portion is as follows:

The Department of Agriculture has been engaged for several years in studying problems of distribution. I think now it has been proposed in the Congress to add to the fund of the department to give it larger powers to conduct these investigations. As its activities will touch phases of the problem I am calling to your attention, which may not be covered by your inquiry, and may furnish information as to matters for the purpose contemplated, I shall direct the department to cooperate with you in this enterprise.

Now, gentlemen of the committee, if you will go into the details and follow it up you may be surprised to find what became of that investigation. After various meetings between the Federal Trade Commission and representatives of the Department of Agriculture it was understood that the Department of Agriculture would in-

investigate the cost of live-stock production on the ranch and the farm and the live animal to the stockyards; then from the stockyards the Federal Trade Commission carried the study on to the consumer.

I was here in August, 1917, as live stock advisor for the Food Administration, having been requested in July by Mr. Hoover to accept that position. I accepted it and was connected with the work for several months. Being deeply interested in what those cost studies might mean I kept in touch with the Bureau of Markets, Department of Agriculture, and the Bureau of Farm Management. Dr. Spillman, in charge of the Bureau of Farm Management, was the head of the bureau largely delegated to this work.

I went into the methods they proposed to use with Dr. Spillman, and it seemed to me they were good and would give us the facts. From about September until January I was not in touch with the Bureau of Farm Management, because I did not expect any result in that time. The American National Live Stock Association which had its annual meeting in Salt Lake in 1918, about the 16th of January is my recollection, was deeply interested in this matter. So probably about 8 or 10 days before leaving for Salt Lake I called on Dr. Spillman, and asked him what progress they were making on these cost studies.

"Why," he said, "we have discontinued that work." I said, "Why?" He said, "The Secretary so ordered." "Well," I told him, "this is a matter of very great importance to the whole country." And I told him I was going to Salt Lake to attend this annual convention, and that I believed we would make every effort to have the cost studies renewed, and I told him that when the report of the Federal Trade Commission came out we wanted the country to have the whole picture. So when I reached Salt Lake I reported to the executive committee of the association my conversation with Dr. Spillman. We formulated a telegram that was sent to Secretary Houston, signed by the president of the association. I will now read the telegram and Secretary Houston's reply thereto:

SALT LAKE CITY, UTAH, *January 14, 1918.*

Hon. DAVID F. HOUSTON,
Secretary of Agriculture, Washington, D. C.:

American National Live Stock Association is now assembled here in annual convention and we would greatly appreciate your advice by wire to-morrow, January 15, as to probable date of completion of the cost studies on live stock now being made by the Bureau of Farm Management of your department. We have been informed that your department was to ascertain the cost of production of live stock in all its aspects. We consider the prompt furnishing of this information to the Food Administration and the Federal Trade Commission vital to the Nation at this time. Will you kindly advise me as to the progress of this work and when it will be furnished to the Federal Trade Commission and others interested?

I. T. PRYOR, *President.*

WASHINGTON, D. C., *January 16, 1918.*

I. T. PRYOR,
*President American National Live Stock Association,
Salt Lake City, Utah:*

Answering your wire investigation regarding cost of production of live stock by office of Farm Management have been continued and enlarged during the current year, in cooperation with the Federal Trade Commission through Bureau of Markets. Data on cost of raising and fattening cattle in corn belt

nearing completion. Work on the cost of producing range cattle, hogs, sheep, and goats will be completed by July 1. As results are compiled they will be available to the Federal Trade Commission and Food Administration.

D. F. HOUSTON, *Secretary*.

Mr. HAMILTON. What reason did Dr. Spillman give to you for the discontinuance of this information—these so-called cost studies?

Mr. LASATER. If you will just permit me to continue that will all develop.

Mr. HAMILTON. All right, go ahead.

Mr. LASATER. When I heard these gentlemen testifying the other day I got in touch with Dr. Spillman, and I requested that he give me a letter stating the substance of what he had already advised me personally. So I have here a letter, addressed to myself, Mr. Ed C. Lasater, Farmers' National Headquarters, Washington, D. C., as follows:

JANUARY 27, 1919.

Mr. ED C. LASATER,

Farmers' National Headquarters, Washington, D. C.

DEAR MR. LASATER: Complying with your recent request for a statement concerning the interruption of the investigation relating to the cost of production as the result of the orders issued to me by the Secretary of Agriculture in October, 1917, I submit the following:

In the summer of 1917 the President directed the Federal Trade Commission to undertake certain investigations relating to the production, ownership, manufacture, storage, and distribution of foodstuffs. In the presidential letter to the Federal Trade Commission he states: I shall direct that department (Department of Agriculture) to cooperate with you in this enterprise." The dealings of the Federal Trade Commission with the Department of Agriculture were held with the Bureau of Markets and the Office of Farm Management that the latter office, because of its long experience in cost of production investigations, should have charge of this phase of the work. Pursuant to this understanding, the office asked for 13 letters of authorization for the purpose of sending men into the field to collect data in addition to that which the office had already accumulated during the 10 years' investigation of this subject. The principal object sought in this field work was to secure accurate information on prices of labor, feed, etc. The Secretary of Agriculture refused to grant such letters of authorization, and called me to his office. This was early in October, 1917.

In the interview which followed he ordered me to discontinue the cost of production investigations, on the ground that the farmer is not entitled to any information on the subject. "The only use ever made of such information," said the Secretary, "is for agitators like this man Baer, of North Dakota, to go out and stir the farmers up with it." The next day I received from the Secretary of Agriculture an unsigned letter, drawn for his signature, sent me ostensibly that I might suggest changes in it, beginning as follows: "According to the agreement we reached in our conference yesterday, the following projects in the Office of Farm Management will be discontinued." He then went on to enumerate by number every project dealing with cost of production. This, of course, put a stop to our field work, as it related to this particular investigation.

Early in January Mr. Ed. Lasater, of Texas, came to my office and asked me the status of our cost of production investigations. I told him the facts above related. He suggested that he might be able to help the situation, and I assured him that his help would be appreciated. About the middle of January a telegram was received by the Secretary, reading substantially as follows: "The American National Live Stock Association, in session at Salt Lake City, desire to know the status of the investigation of the cost of production of beef, being conducted by your Office of Farm Management. Please wire to-morrow at 4.30." This telegram was sent to me to prepare a reply for the Secretary's signature. I prepared substantially the following: "The investigations of the cost of production, referred to in your telegram, have been greatly extended, and are being pushed vigorously. A report on them will be ready the 1st of July."

A few minutes after this telegram had been sent to the Secretary's office for his signature, Mr. Harrison, of the Secretary's office, called me over the

phone, and the following conversation, as nearly as I can recall it, took place: "Spillman, what in hell do you mean by sending a telegram like this over here for the Secretary to sign? You know damned well he has stopped all those investigations." I replied that I knew he had ordered them stopped, but that I had reason to think he was going to order them started again. Mr. Harrison asked me what I meant by such a statement, and I told him that I meant exactly what the statement implied.

Then Mr. Harrison said: "The telegram is not true." I replied that it would be true when the Secretary signed it. He said the Secretary would not sign it. I told him I was quite sure the Secretary would sign it, and then I asked him if he knew who Ike Pryor is, this being the name of the man who had sent the original telegram. Mr. Harrison replied that all he knew was that Mr. Pryor was signed as the president of the association. I then remarked that he represented one of the largest and liveliest bunches of men in the country, and I happened to know that these men knew what they were after. I requested that he tell the Secretary from me that if he valued his job he would sign that telegram. Within half an hour I received a very courteous note from Mr. Harrison, with a copy of the telegram, which he said the Secretary had signed and sent.

The next day I renewed my request for the 13 letters of authorization, and the request was granted; but this was in the dead of winter and it was not practicable to send men into the field until about the 1st of April. Because of this interruption of the work as the result of the Secretary's refusal to permit it to proceed we thus lost from early in October to April. We got what data we could during April, May, and June, which, as already stated, was merely supplementary to data which we had been 10 years in collecting. On the 12th of July, 23 reports were submitted to the Secretary, relating to the cost of producing various agricultural products, including wheat and beef. I may say that the data on the cost of producing beef consisted in part of careful bookkeeping records covering 141 farm years and the fattening of over 40,000 steers. These reports are now in the possession of the Secretary of Agriculture, and have been since the 12th of July.

Respectfully,

W. J. SPILLMAN.

Mr. STEPHENS. What year was that?

Mr. LASATER. This year.

Mr. STEPHENS. In the conclusion of that letter he says, "since the 12th of July." What July does that mean?

Mr. LASATER. Last July, 1918.

The CHAIRMAN. The date of the letter is 1919.

Mr. LASATER. Yes, sir; January 27, 1919.

The CHAIRMAN. The letter is from Dr. Spillman?

Mr. LASATER. Yes, sir; it is from Dr. Spillman.

Mr. RAYBURN. Is Dr. Spillman still in his job?

Mr. LASATER. No, sir. Dr. Spillman resigned, he told me, for the purpose of making public these facts.

Mr. ESCH. Didn't the Department of Agriculture issue last year a pamphlet on meat production?

Mr. LASATER. No, sir. Prof. Spillman was called before the Committee on Agriculture of the Senate, and he made public the result of certain cost studies made by his department, and which testimony of Dr. Spillman I would like to introduce here. It is contained in a hearing had by the Committee on Agriculture and Forestry of the United States Senate, held on Wednesday, August 28, 1918.

Mr. STEPHENS. I would like to have that study put into the record, if you have it in proper form.

Mr. LASATER. I have it here and will desire to put it into the record. So far as I have been able to learn, this was the only time this matter was ever made public.

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The CHAIRMAN. Does that pamphlet contain the testimony of Dr. Spillman, and nothing else?

Mr. LASATER. Yes, sir; it only contains the data which he gave before the committee.

The CHAIRMAN. Then it is his statement, and nothing else?

Mr. LASATER. Yes, sir; his statement, and nothing more.

The CHAIRMAN. You may give that to the stenographer and he will incorporate it in the record.

Mr. LASATER. All right, Mr. Chairman, but I would like to read some of it.

The CHAIRMAN. If it is only on that subject, you may put it in.

Mr. LASATER. It only deals with wheat and live stock.

Mr. STEPHENS. Then let it all be put in.

Mr. LASATER. All right.

(The pamphlet produced by the witness, containing Dr. Spillman's testimony on Wednesday, August 28, 1918, before the Committee on Agriculture and Forestry, United States Senate, is as follows:)

FOOD PRODUCTION ACT, 1919.

[Hearing before the Committee on Agriculture and Forestry, United States Senate, Sixty-fifth Congress, second session, on wheat and beef cattle. Part 2.]

**UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., Wednesday, August 28, 1918.**

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Sheppard, Kenyon, Wadsworth, and France.

Present also: Senator James D. Phelan, of California.

The CHAIRMAN. I want to say to the members of the committee that Dr. Spillman, of the Department of Agriculture, is here. I have been intending for some days to give him an opportunity to appear before the committee. Mr. Carmichael said he would take only a few minutes, and we will hear him first, as the doctor has kindly agreed to wait.

(The committee then heard the statements of witnesses on the provisions of the bill relating to the prohibition of the manufacture, etc., of intoxicating liquors, which are printed separately. Thereupon the following occurred:)

The CHAIRMAN. We will first hear Dr. Spillman. Dr. Spillman, I would like to ask if any inquiry has been made by the Department of Agriculture as to the cost of producing wheat and the cost of producing cattle in the United States?

**STATEMENT OF DR. WILLIAM J. SPILLMAN, CHIEF OF OFFICE OF FARM MANAGEMENT,
DEPARTMENT OF AGRICULTURE.**

Dr. SPILLMAN. I will state, Mr. Chairman, that for 10 years past the Office of Farm Management has been investigating the entire subject of cost of production on the farm, and that it has given more attention to the cost of producing wheat and beef cattle than it has to any other farm products.

The CHAIRMAN. I wish that you would, in a few words, outline the method of arriving at costs, if you have formulated a method, and then give us, as far as you can, the results of your investigation.

Dr. SPILLMAN. In the study of this subject we were confronted by the difficulty that on the great majority of American farms the farmers do not keep any records, and at first it appeared to be a very difficult task to get the facts about the cost of production on these farms. We solved that problem in a way that appears to be satisfactory, as follows:

We instituted a system of bookkeeping on 150 farms, scattered pretty well over the country. On some of those farms we have as much as nine years'

continuous record, in which the farmer recorded, on blanks we furnished him, every quarter of an hour's work he did during the year and every cent that he spent or received. We have found only two important farm products that are not included in those records; one of them is sugar cane and the other is rice.

With the exception of those two crops those records showed us the items that enter into the cost of production; then it was necessary for us to learn how the farmer carries those items in his head, and to test the accuracy of the farmer's knowledge. For instance, in getting at the cost of an acre of wheat it is necessary to know the number of hours of man labor required to plow an acre of land. Now, when we go to a farmer who keeps no records and ask him that question he throws up his hands and says, "I don't know a thing about it; I never thought of that." But when we ask that same farmer in a different way we get a prompt and highly accurate reply. We ask, "Suppose you are sowing wheat after wheat and you are plowing stubble in the summer time, what kind of rig do you use?" He says, "I use a 14-inch plow and a couple of 1,200-pound horses." We ask, "How much do you plow in a day at that time of the year on wheat stubble?" He replies, "Well, sir, I can plow about an acre and five-eighths at that time of the year."

Now, that is an answer given by an expert, frequently of 40 years' experience; it is not a guess. After learning the nature of the items that enter into the cost of production—and we learn that through bookkeeping work—and after learning how the farmer carries those items in his head, we tested out the accuracy of the farmer's knowledge as he carries it in his head. In general, we found that when the questions asked call for information in the form in which the farmer carries it in his head, the degree of accuracy in the answers is very satisfactory.

The CHAIRMAN. Have you formulated a series of those questions that you submitted to the farmers?

Dr. SPILLMAN. Oh, yes.

The CHAIRMAN. I wish you would attach that to your statement.

(The questionnaire referred to is given at the end of this hearing.)

Dr. SPILLMAN. On the basis of this 10 years' work in bookkeeping we formulated blanks and provided columns for recording the information in the terms in which the farmer thinks, and then another column for calculating the information in the form in which we have to have it. After that we experimented to find how many farmers we had to get in order to obtain an average that would be reliable. In general, we have found that if we obtain two sets of 40 farms each in one community the averages of the two sets differ very little. If the number of farms is much smaller than this, the differences begin to become considerable.

There is one other great difficulty. A plow, for instance, is utilized in the production of five or six different crops on the farm; there may be 10 acres of this, 40 acres of that, and 70 acres of something else. It is no small task to apportion the cost of that plow among these various crops.

The CHAIRMAN. Or the depreciation?

Dr. SPILLMAN. Yes. The cost of the plow includes depreciation, repairs, and interest. How are you going to apportion that to all these various crops? One large Government organization in investigating the cost of production of an important agricultural product omitted all charge for the use of agricultural implements on the ground that these implements were used for other things on the same farm, and there was no way of getting at an estimate of those costs.

The CHAIRMAN. Dr. Spillman, in relation to the wheat figures that you are going to submit, did you make any allowance for weather risk?

Dr. SPILLMAN. No. As I say, this work had to be gotten out so hurriedly we did not have time to do that, Senator. The figures I shall give you here this morning make no allowance whatever for weather risk.

The CHAIRMAN. That is one of the most important factors, is it not?

Dr. SPILLMAN. It is a very highly important factor, but it is not in these figures because we have not had time to put that in.

The CHAIRMAN. Is that the only important factor that you think of that has been left out?

Dr. SPILLMAN. I think it is; yes, sir.

— I should be very glad, Doctor, if you would give us the results on as to wheat, upon the method you have outlined.

Dr. SPILLMAN. I will give you the results for wheat. We have a big map showing the production of wheat all over the United States, production being indicated by dots. That map, by the way, is reproduced in that little geography of world agriculture which we published some time ago. On that map we picked out the localities that would be representative of the wheat areas of the United States, and we got farms enough in each of these areas to give us a reliable average. The figures that I am giving you relate to the crop of 1917-18, the crop we are now beginning to eat.

The CHAIRMAN. Harvested this summer?

Dr. SPILLMAN. Harvested this summer. The figures do not include any risk the farmer takes in planting wheat, but do include everything else we know of.

First, there is a region around where the States of Colorado, Kansas, and Nebraska meet, an extensive wheat-growing region, where the methods are themselves very extensive; and we find cheaper production of wheat in that locality, when we leave the risk out of consideration, than anywhere else. But we know the risk there is greater than it is in any of these other localities, so it will probably about even up the final cost.

In that particular region the cost of the present wheat crop was \$1.60 a bushel. The average yield was 8 bushels to the acre. That is based on the cost to a renter who pays one-fourth of his crop as rent, which is the prevailing practice for that region.

Next is the State of North Dakota. We have quite ample figures from North Dakota, from five years' bookkeeping records. We have made a careful study of the increase in prices in North Dakota during that five-year period, and we applied those prices to the data that we had accumulated during the five years. The cost there for this present crop, yielding 13 bushels to the acre on the farms studied, was \$1.81 a bushel, on a basis of one-third rent in lieu of interest on the investment, taxes, and upkeep of real estate. Those items are all included in the rent, so that no charge is made for them.

In connection with that, let me call attention to the fact that the number of hours of man and horse labor used in producing an acre of wheat in that first region I spoke of—Colorado and the corners of Nebraska and Kansas—were 5 hours of man labor and 15 hours of horse labor. The average on these North Dakota farms is 6 hours of man labor and 19 hours of horse labor, which about accounts for the difference.

Coming now to that large wheat area in southeastern Nebraska, central Kansas, and northern Oklahoma, we made a pretty big study in that region, and I think the figures we have for that region are fairly accurate. The average there is \$1.84 a bushel, with a yield of 14 bushels to the acre, with 10 hours man labor and 27½ hours horse labor per acre. That was the average on the farms we studied this year.

For the North Central States, the studies were made in Illinois, Missouri, and Indiana, but the figures are representative of a larger number of States. The cost there is \$2.26 a bushel, with a yield of 16 bushels. The man labor and horse labor per acre in that region as compared with the summer-fallow region in the West is 16.6 hours of man labor against 5 on the plains, and 34 hours of horse labor against 15 on the plains. We have the details of why that difference exists.

Now, we have some accurate records from the State of Kentucky. In that region the figures are higher, because of the higher cost of supervision. The farms are worked by negro labor, and there must be a hired manager, and that cost is reflected in the figures. The cost was \$2.50 a bushel for the present crop in Kentucky, on a yield of 14 bushels, with 18 hours of man labor and 28 hours of horse labor.

Then, we have an area lying north and west of Washington City and extending north to central Pennsylvania, which is one of the large wheat districts of the East, and we have a similar area in western New York, where the conditions are about the same and the costs are about the same. The average for this region here is \$2.25 a bushel, on a basis of 17 bushels per acre. This is a region where fertilizers are used largely on wheat, and where the man labor and horse labor per acre are high, amounting on the average to 15 hours of man labor and 35 hours of horse labor. That is due to the fact that somewhat smaller implements are used, and the good wheat soils here are heavier than they are in the West. The fields are also smaller.

The following is a summary of the figures for wheat:

Locality.	Cost per bushel, 1917-18 crop.	Yield.	Hours of labor per acre.		Rent share.
			Man.	Horse.	
		<i>Bushels.</i>			
Western Plains.....	\$1.60	8	5	15	One-fourth.
North Dakota.....	1.81	13	6	19	One-third.
Central Plains.....	1.84	14	10	27½	Do.
North Central States.....	2.26	16	17	34	Do.
South Central States.....	2.50	14	18	28	One-third (sup. high).
Central Atlantic.....	2.25	17	15	35	One-third (sup. mod.).

I want to call your attention to one very important consideration. Here [exhibiting a chart] is a curve; it does not apply to these exact figures, but it applies to rye in the State of New York. The average cost of producing this crop of rye on 46 farms in the State of New York was \$2.07 a bushel. This curve shows the number of farms producing rye at different costs. For instance, all of those who produced it at a cost closer to \$2 than to \$1.50 and \$2.50 were grouped at this point. Those who produced it at a cost of \$1.50 were grouped at this point, and so on. This curve shows where the large number of farms come. That line represents the average cost of production. About half of the farms are in this side of the line and half on the other side.

This line here represented 10 per cent above the average cost of production; that is, if the price of this crop of rye were fixed at \$2.28 to the farmer, then the average of these 46 farms would get 10 per cent profit, but 30 per cent of these farms would produce their rye at a loss, and 70 per cent would make some profit or come out even.

We find, in general, that in order to bring in the great body of producers of any agricultural product, to cut off only those who are inefficient and really ought to be in some other business, it is necessary that the price be 30 to 40 per cent above the average cost of production. Such prices stimulate production and do not cut off enough marginal producers to have any marked effect on production.

The CHAIRMAN. You have to do that in order to keep the men below the average in the business and going?

Dr. SPILLMAN. Yes; that is the point exactly. It is necessary to go at least 30 per cent above. With some products it is higher than it is with others.

The CHAIRMAN. If you force out those below the average, your average output per acre would be increased, but the total production would be diminished?

Dr. SPILLMAN. It would be very seriously diminished. A great many sugar factories in the early days had to dismantle and move their factories away because they did not understand that. They had fixed their prices at what appeared to be a decent profit—10 per cent or 12½ above the average cost of production—and yet they were cutting off 30 to 40 per cent of their producers and compelling them to produce sugar beets at a loss.

When we showed one of those men a curve like this, based on over 1,000 sugar-beet farms, he pointed to a point about 35 per cent above the average cost of production and said: "There is where I have got to go with my price to get my acreage." He went home and adjusted his price to 35 per cent above the average cost of production and contracted all the acreage that year that his factory could handle—the first time that he had ever been able to do that. He said he had been committing suicide without knowing it.

I have a table relative to data obtained from farmers as to cost of producing wheat that I desire to place in the record.

The CHAIRMAN. The committee will be glad to print it.

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(The table referred to is here printed in full, as follows:)

BLANKS USED IN OBTAINING DATA FROM FARMERS ON COST OF PRODUCING WHEAT.

UNITED STATES DEPARTMENT OF AGRICULTURE.

OFFICE OF FARM MANAGEMENT.

I. Farm organization and practice in wheat farming.

No. _____

Date _____

State _____. County _____. Township _____.

Operator _____. P. O. address _____. Location _____.

ACRES AND YIELD OF FIELD CROPS.

Crops.	Winter wheat.	Spring wheat.	Barley.	Oats.	Corn.
Acres.....					
Yield 191—.....					
High yield.....					
Low yield.....					
Estimated average yield.....					
Per cent sold.....					
Farm value 191—.....					

	Acres.	Value per acre.
In farm.....		
Cultivation.....		
Pasture.....		
Woods and waste.....		
Owned.....		
Rented for.....		
Wheat.....		
		Share, % _____. Cash, \$ _____.

LIVE STOCK KEPT AND RAISED ON FARM.

Kind of animals.	Work stock.	Other horses.	Colts raised.	Dairy cows.	Other cows.	Calves raised.	Heifers.	Other stock and beef cows.	Ewes.	Lambs raised.	Sows.	Pigs raised.	Poultry.	Chickens raised.	Live stock units.
Number.....															
Value.....															
Cash receipts 191—.....															

Notes. —Description of soil _____. Surface _____. Total value of implements _____. Dwelling _____. Other buildings _____. Fences _____. Water fixtures _____. Drains _____. Value of live stock purchased 191—, _____. Value of feed purchased 191—, _____.

III. Labor—Continued.
HAULING AND MARKETING.

	Grain machine to granary.	Machine to market.	Granary-to market.	Total.	Notes.
Distance hauled.....	
Amount hauled.....	
Crew:					
Number of men.....	
Number of horses.....	
Loads per day.....	
Hours per acre.....	

IV. Horse-labor charges.

Items of cost.	Quantity per horse.	Price.	Expense per item.
Grain.....	.....pounds	.....per cent	.....
Hay.....	.....pounds	.....per cent	.....
Pasture.....	.....month	.....month	.....
Interest.....	.....	.....per cent	.....
Depreciation.....	.....	.....per cent	.....
Shoeing.....	.....times	.....each	.....
Miscellaneous.....	.....	.....	.....
Total expense.....	.....	.....	.....
Hours per year horse work.....	.....hours	.....	.....
Cost per hour.....	.....	.....cents	.....

V. Man-labor charges.

Kind of labor.	Num- ber.	Days em- ployed.	Hours per day.	Cash wages.		Board and prerequisites.		Wage per hour.
				Day.	Month.	Day.	Month.	
Regular month hands.....
Harvest hands.....
Thrashing hands.....
General day labor hired.....
Operator labor.....
Family labor unpaid.....
Supervision.....

VI. Quantity and price of material per acre.

Item.	Quan- tity per acre.	Price.	Percent charged to wheat.	Cost per acre.
Seed.....
Twine.....
Commercial fertilizer.....
Lime.....
Green manure (include cost of seed fitting and planting).....
Stable manure.....
Chemicals.....
Fuel.....

VI. Quantity and price of material per acre—Continued.

INSURANCE.

Kind of insurance.	Basis of charge.		Rate.	Charge per acre.	
	Bushels per acre.	Dollars per acre.			
			P. ct.		
Hail.....					
Fire.....					
Tornado.....					

CREDITS.

Item.	Quantity.	Value per acre.
Crow.....	..... pounds per acre	
Pasture.....	..... acres per animal used	

VIII.—Use of implements.

	Num- ber.	Size.	Cost, new.	Cost to wheat, per cent, amount.	Per cent an- nual charge for interest, repairs, oils, depreciation.	Annual charge to wheat.
Reaper.....						
Header.....						
Combine.....						
1-tek harrow.....						
Sulky plow.....						
2-ang plow.....						
Walking plow.....						
Mower.....						
Rake.....						
Hay loader.....						
Road wagon.....						
Low-truck wagon.....						
Ropes and racks.....						
Roll.....						
Open planter.....						
Planter.....						
1-tek sled.....						
1-row cultivator.....						
2-row cultivator.....						
1-horse cultivator.....						
Harrow.....						
Roller.....						
Tractor.....						
Truck.....						
Small engine.....						
Electrical generator.....						
Elevator.....						
Fanning mill.....						
Miscellaneous tools.....						
Total.....						
Per acre.....						

VIII. Summary blank.

U. S. DEPARTMENT OF AGRICULTURE.

OFFICE OF FARM MANAGEMENT, WASHINGTON, D. C.

Cost of producing wheat:
Year..... Farm No..... Value per acre, \$..... County.....
State..... Cost per bushel, \$.....

	Quantity per acre.	Price.	Expense per acre.	Total cost of item per acre.
Man labor.....	.....hours	\$.....per hour	\$.....	\$.....
Fit and sow.....	.....hours	\$.....per hour	.....	.....
Harvest and thrash.....	.....hours	\$.....per hour	.....	.....
Market.....	.....hours	\$.....per hour	.....	.....
Total man labor..	.....	\$.....	.....	.....
Horse labor.....	.....hours	\$.....per hour	.....	.....
Fit and sow.....	.....hours	\$.....per hour	.....	.....
Harvest and thrash.....	.....hours	\$.....per hour	.....	.....
Market.....	.....hours	\$.....per hour	.....	.....
Total horse labor..	.....	\$.....	.....	.....
Use of implements.....	\$.....	.....per cent	.....	.....
Thrashing charge.....	.....bushel	\$.....per bushel	.....	.....
Seed.....	.....bushel	\$.....per bushel	.....	.....
Twine.....	.....pounds	\$.....per pound	.....	.....
Commercial fertilizers..	.....pounds	\$.....per pound	.....	.....
Lime.....	.....pounds	\$.....per pound	.....	.....
Stable manure.....	.....loads	\$.....per load	.....	.....
Insurance.....	\$.....	.....per cent	.....	.....
Supervision.....	.....hours	\$.....per hour	.....	.....
Overhead.....	\$.....	.....per cent	.....	.....
Total all charges..	.....	.....	.....	.....
Credits.....	.....	.....	.....	.....
Total net expense ¹	.....	.....	.....	.....
Yield.....	.....bushels	.....	.....	.....
Share for rent (rate)....	.....bushels	.....	.....	.....
Balance-share for labor and other operating expenses. ¹	.....bushels	.....	.....	.....

¹ NOTE.—Balance-share for labor and other operating expenses divided into total net expense gives cost per bushel.

Dr. SPILLMAN. That completes the statement on wheat, unless there are some other questions.

I have some figures here on the cost of producing beef cattle. I will say that these figures on beef cattle extend over a longer time. We have been making a very detailed and careful study of that subject for five years past, and the figures we have are, we believe, worthy of confidence. First, I want to show you the curve for the cost of producing a pound of gain.

People who are not familiar with the beef-feeding industry, of course, are likely to be misled when I say the cost of producing a pound of gain on beef cattle is 18.6 cents a pound for five years past, while the farmers have been selling their beef cattle at very much less than that. That does not necessarily mean that the farmers have been losing money. If a farmer buys a steer weighing 800 pounds at 12 cents a pound and sells it at 14 cents a pound later, he gets a profit of 2 cents a pound on that first 800 pounds. That is what makes the beef-cattle business possible; it would not be possible if it were not for what is called the feeding margin, which applies to the original carcass of the animal. It is supposed to balance up the loss which the farmer practically always makes on the cost of putting on gain, but it does not always do so, by any means.

The CHAIRMAN. However, he has to put on the gain in order to sell the other?

Dr. SPILLMAN. Yes; that is the point. He has to put on the gain in order to get that extra 2 cents on his first cost. That is the whole feeding game—to buy a carcass at a cheap price and convert it into something worth more per pound and make something on the original carcass. You lose money on the meat you put on; you usually lose a great deal, just about enough to balance up the account.

Here [exhibiting a chart] is the average cost of putting on gain on beef cattle—18.6 cents a pound. The height of this curve at each point represents

the number of farmers who produced it at that price. There are 227 farmers in all represented here. You will notice that if you go 10 per cent above the cost, to a price of 20½ cents a pound, you let the average of these farmers make 10 per cent profit, though about 30 per cent of them would still be losing money. But if you come out here [indicating on the chart] and cut off only these fellows that are producing beef at entirely too great a cost and who ought to be out of the business, you have to go about 35 per cent above the average cost of production in order to maintain your production at an adequate level in competition with anything else that happens to be profitable.

Senator WADSWORTH. What breed of cattle do you standardize those costs on?

Dr. SPILLMAN. Those records are based on Shorthorns, Aberdeen-Angus, and Herefords.

Senator WADSWORTH. Averaging them together?

Dr. SPILLMAN. Yes.

Senator WADSWORTH. The cost would be more if you included Holsteins, would it not?

Dr. SPILLMAN. Yes; it would be.

Senator WADSWORTH. And Jerseys?

Dr. SPILLMAN. Yes. The main difficulty with Holsteins and Jerseys is that even when you put on the extra weight you do not get the extra money for them.

Senator WADSWORTH. There is a reason.

Dr. SPILLMAN. Yes; that is the reason. It is because the fat is not put in the right place. When a real beef animal gets fat you will find little strips of fat between the strips of lean meat. That is what gives the lean meat its flavor. When an animal of a strictly dairy breed, like the Holstein or Jersey, get fat the fat is largely on the entrails, around the kidneys, around the liver, and around the heart; it is not distributed in the lean meat to any considerable extent. For that reason the lean meat will not sell for as much as the lean meat from a regular beef animal.

The CHAIRMAN. It is too lean?

Dr. SPILLMAN. It is too lean; that is the trouble. Here are some figures. We have so many figures on beef cattle that I have not had time to marshal them in anything like adequate shape.

The CHAIRMAN. I would be very glad if you would insert those figures before the last edition of your statement is published.

Dr. SPILLMAN. I will insert them when you send me the records to correct.

The figures in the following table have already been published by the department in report 111, office of the Secretary. They relate to the cost of beef calves in the years 1914 and 1915.

Cost of producing calves 6 to 8 months old in Illinois, Indiana, Minnesota, Iowa, Missouri, South Dakota, Nebraska, and Kansas.

Group.	1914	1915	Group.	1914	1915
Beef.....	\$38.42	\$37.01	Partial milking.....	\$28.25	\$23.76
Baby beef.....	37.74	36.21	Double nursing.....	29.11	13.58
Mixed.....	34.06	27.64	Dual purpose.....	30.97	16.13

We find a great variety of costs, depending on the manner of handling the cows and their calves. In one group, where the cows were not milked at all—just handled as a beef-raising proposition—the cost in 1914 of a beef calf 8 months old was \$38.42. That is the average for a large number in Illinois, Minnesota, Iowa, Missouri, South Dakota, Nebraska, and Kansas. The next year it was \$37.01. The cost was a little less in 1915 than it was in 1914.

There was another group which were handled somewhat different. The calf was fed heavily as soon as it was weaned and run right on and sold as baby beef. Of course, his cost at weaning time did not differ materially from those I have just given you, and the figures for 1914 were \$37.74, which is 70 cents less than the figures above, and \$36.21 for 1915, which is 80 cents less than the group above.

There was a group, called the mixed group, in which some of the cows were milked and their milk was sold to a creamery. That milk was credited, so that the cost of the calf was a little less, and instead of \$38 or \$37 it is \$34.06 for 1914. In 1915 the price of milk raised very materially, and the cost of

the calf dropped to \$27.64 in that group; that is simply crediting to the calf the profit on milk sold.

There was another group—partial milking—in which the farmer let the calves suck about half the milk and then he would take the other half. We called that the partial-milking group. The cost of the calf there, after crediting milk that was sold, was \$28.25 the first year and \$23.76 the second year.

There was another group—double-nursing group—in which the farmer would milk his best cows and transfer their calves to other cows, so that he would let one cow nurse two calves and milk his other cow and sell the milk. In this group the cost in 1914 was \$29.11, and the next year, when the price of milk raised, it was \$13.58. That is all that calf cost at weaning time. These calves weighed at weaning time from 300 to 450 pounds each.

Mr. LASATER. In making that statement, Dr. Spillman, are you not crediting to beef production all the products the farmer gets out of dairy production?

Dr. SPILLMAN. Absolutely.

Mr. LASATER. Then you could not feed this country on beef by those methods?

Dr. SPILLMAN. I was just coming to that. I was going to make that same statement as Mr. Lasater has made. He is absolutely right about it. There is one group known as the dual-purpose group. They are beef cows, but the calves are weaned and the cows are milked and their milk sold. In these figures here that milk is credited to the calf. In that group the first year the cost was \$31 and the second year \$16.

These methods here transfer all the profit on the milk and credit it to the calf, and that is what makes those calves appear to be cheaper. I merely want to state that they are not cheaper, but there is some difficulty in dividing whatever profit there is in the operation—in fact, it is a profit in one case and a loss in the other—in dividing that between these two items. How much of the profit may be placed to the milk, and how much to the calf? The calf is given all of it here, and it is not fair, because, as Mr. Lasater says, the people of this country are not fed on beef produced in that way at this time.

So far as the prices here are concerned, the price of milk raised in 1915, but the price of cattle and of feed had not risen so much at that time, very little in fact. They did rise in 1916-17, however.

Mr. LASATER. May I not ask if labor conditions do not make your dual purpose group practically impossible under present conditions?

Dr. SPILLMAN. Almost. A great many dairy farmers are going out of business because they can not get labor and a great many others are putting in milking machines.

Mr. LASATER. The point I was trying to make is that there is such a small profit in that kind of dairying under present conditions that it is practically eliminated?

Dr. SPILLMAN. Oh, yes. And, so far as that is concerned, that style of dairying does not supply the country with dairy products at all.

The CHAIRMAN. A number of dairies have been closed in the vicinity of Muskogee this summer for some reason.

Dr. SPILLMAN. And it is so all over the country, because of labor difficulties, feed difficulties, and price difficulties.

Here are some figures from 188 farms in Nebraska, Iowa, and Missouri for the fattening of beef animals during the years 1916 and 1917.

Fattening beef animals on corn-belt farms, 1916-17.

[Survey method; 188 farms; 9,541 2-year olds, 1,530 yearlings, 1,135 baby beeves: Nebraska, Iowa, and Missouri.]

	2-year olds.	Year- lings.	Baby beeves.	Baby beeves, 1914-1916. ¹
Initial cost.....	\$71.94	\$51.13	\$37.78	\$36.84
Feed.....	56.73	56.05	50.45	36.47
Labor.....	3.27	3.05	3.14	2.85
Equipment.....	2.35	2.76	2.16	.87
Interest.....	3.48	3.26	2.53	2.23
Miscellaneous.....	1.10	1.33	.83	.47
Marketing.....	2.30	1.86	2.15	2.06
Gross cost.....	141.17	119.40	99.04	81.77

¹ This column is for animals included in an earlier study. The figure \$36.84 in this case represents cost of raising the calves; the corresponding figures in the other columns represent purchase price on the market.

Fattening beef animals on corn-belt farms, 1916-17—Continued.

	2-year olds.	Year- lings.	Baby beeves,	Baby beeves, 1914-1916.
Credits:				
Pork.....	\$9.70	\$10.48	\$6.41	\$2.75
Manure.....	1.44	2.15	1.26	6.21
Total.....	11.14	12.63	7.67	7.96
Net cost.....	130.03	106.86	91.37	73.81
Final weight.....pounds..	1,231	1,037	798	829
Days fed.....	184	218	212	17-8
Daily gain.....pounds..	1.59	1.6	1.6	.....
Profit per head.....	12.32	8.63	2.05	2.20
Necessary margin.....	2.89	2.91	3.08	.....
Margin obtained.....	3.89	3.74	3.33	.....
Cost per pound of gain.....cents..	19.8	16.1	15.4	.....

1 Months.

Seventy-one farms made profit; 55 farms lost money.

The figures include 9,541 2-year-old steers, 1,530 yearlings, and 1,135 baby beeves. The gross cost for a 2-year-old steer that year was \$141.17 on that group of 188 farms. It should be stated that much of the feed used by these cattle was purchased in the fall of 1916, when feed was much cheaper than it is now. There were credits for pork following the steers, and there, again, whatever is made on that pork is all credited to the steer, which is not fair, but it is a little difficult to divide the profit, because it is so often a loss, or is a profit on one part and a loss on the other. Each steer there is credited with \$9.70 worth of pork produced from his manure, and he is credited for manure \$1.44 on a feed of 184 days. The net cost per 2-year-old steer at the market was \$130.03.

The net cost of yearling steers on these same farms was \$106.86.

The CHAIRMAN (interposing). That is, on the 2-year-olds?

Dr. SPILLMAN. The first I gave was on the 2-year-old steer.

The CHAIRMAN. The average weight—you have not given that?

Dr. SPILLMAN. I have not given that. It was 1,231 pounds for the 2-year-olds, and the days fed 184; the average daily gain, 1.6 pounds; and the cost per pound of gain on those 9,000 steers was 19.8 cents.

It should be noted here that the average feeding margin on these 9,000 steers was \$3.89. This is a very unusual margin. The average margin for the preceding 10 years was \$2. During the feeding season of 1917-18 the margin was again very low, and feeders generally lost money. It is to be noted also that the cost of the thin steers constitute 51 per cent of the total cost of the fat steer.

For the year-old steers—there were 1,530 of these—the average net cost per steer was \$106.86; the final weight at market was 1,037, days on feed 218, gain per day 1.6 pounds, cost of a pound of gain on these yearling steers 16.1 cents, as compared with 19.8 cents for the 2-year-olds.

Here are the baby beeves on these same farms: Net cost at the market, \$91.37; that is what the farmer had to get at the market in order to come out even; weight, fat, 798 pounds; days on feed, 212; daily gain, 1.6; cost per pound of gain, 15.4 cents.

The CHAIRMAN. What is the point of distinction between the yearling steers and the baby beeves?

Dr. SPILLMAN. The yearling steer—the farmer buys the steer when 1 year old, in thin condition, and then gradually puts him on full feed. In about three months the steer is fed about all he is capable of digesting, after which he is fed all he will eat for a period of about three months, at which time he is sold.

In the case of the baby beef, just as soon as the calf is old enough to eat a little grain he is encouraged to eat some grain and nice juicy hay while yet nursing his dam. In that way he is made to eat every ounce that he can digest every minute of his life.

The CHAIRMAN. He pushes him all the way?

Dr. SPILLMAN. He pushes him all the way until he is about 20 months old, or sometimes 14 or 16 months and sometimes 22 months, which is about the limit. So you see one is pushed all his life and the other is pushed the last six months, and thus the one which is pushed all his life makes his gain somewhat earlier in life and costs a little less.

Here is one fundamental principle we find in all feeding operations: The younger the animal, the cheaper the gain.

The CHAIRMAN. The younger animal gets the benefit of the growing period?

Dr. SPILLMAN. Yes; and then after he get through his growing period, growth means taking on fat, and it takes nearly twice as much feed to put on a pound of fat as it does to make a pound of bone and muscle.

The CHAIRMAN. On that point, I was reading some time ago the report of the Royal Commission on this very subject, and I remember they said the feed which you give an animal between 18 months and 30 months old would yield more gain in weight if fed to a younger animal.

Dr. SPILLMAN. Oh, yes; that is true.

The CHAIRMAN. And that there was really an economic waste in carrying the 30 months old, as compared to the 18 months, that you had the best profit below 18 months. That corresponds with your idea?

Dr. SPILLMAN. That is true, and our department has been recommending the farmers to fatten their beef at an early age and to turn them in not quite so fat. Here is another thing: Even if you leave out of consideration the fact that the younger the animal the more gain he will make with a given amount of feed, the fatter the animal at the same age the less gain he will make on a given amount of feed, because the fatter he gets the larger the proportion of his feed that makes fat, and it takes more feed to make a pound of fat than it does of bone or muscle.

As I explained a while ago, the farmer practically always sells his steer for less per pound than it costs him to put on the gain. It used to be a common practice in Nebraska and Kansas, when cattle were selling at 8 cents a pound fat, for a drover to hire a farmer to put fat on steers and pay him 10 cents a pound, when he knew he was only going to get 8 cents. But he had bought these cattle for 6 cents a pound, and he was figuring on selling them at 8 cents a pound, and he was going to take a profit of 2 cents a pound on all the animal weighed before he began feeding him. He would lose 2 cents a pound on the 240 pounds of gain, but he would gain 2 cents on the 800 pounds that he had before he began feeding.

The CHAIRMAN. He paid that 2 cents a pound for advertising and selling purposes?

Dr. SPILLMAN. Yes; that is, his advertising is the fat he puts on that steer. Before the recent rise in prices it was necessary that the farmers make a rise of about 2 cents a pound on the original carcass in order to come out whole in his feeding operations. I may state that in all these figures, Mr. Chairman, we are crediting the steer with all the profit made on pork that is following the steers. That should be remembered, because part of that profit does not belong to the steer; it is credited here because we have no adequate means of dividing this credit.

In the days of the old scale of prices it was necessary that the feeder have a feeding margin; that is, a rise over the price he paid for the original carcass, of about 2 cents a pound in order to come out even. We have a great many figures of that kind, and the average for 15 years past is about 2 cents a pound. It happens that the farmers that were feeding during the winter of 1916-17 bought their steers on a fairly low market and happened to sell on a very high market, so the average margin for that year was higher than it has ever been in the history of the cattle business.

On one group, for which we have records, it was \$3.87; another, \$3.74; another, \$3.37—that is, the margin on which they fed that year, 1916-17. This past year, 1917-18, the conditions were reversed. The feeding margin was less and many feeders lost big money. This particular year, 1916-17, the feeders, most of them, made money; for instance, out of 132 feeders in one of these columns 71 made a profit and only 55 lost money. This past winter those figures will be turned around and changed considerably.

In the year 1914 we made studies of the cost of producing baby beef on 26 farms in the Middle Western States. The following figures give a comparison between these animals and the baby-beef animals studied in 1916-17:

	1914	1916-17
Cost of raising calves.....	\$38.27	.....
Inventory value of calves.....	.....	\$37.78
Cost of feed.....	35.11	50.45
Total cost.....	79.58	99.04

It will be observed that the producer of the calf got no more for it in 1916 than he did in 1914, but the cost of feed used in fattening these animals increased 43.7 per cent. It is evident that the producers of the stocker calves that sold for \$37.78 in 1916 lost money on them, in view of the high cost of feed in that year.

Here are some very important figures, as it appears to me. These are figures obtained from ranches in the plains regions—Oklahoma and Texas, mainly:

Ranch costs—Beef cattle.—Averages for five years, 1913–1917.

[Wilcox report.]

RANCHES RAISING BEEF CALVES.

No.	Location.	Cost of beef animal at various ages.		
		8 months.	20 months.	3 years.
1	Oklahoma.....	\$35.05	\$52.18	\$68.20
2	do.....	35.47	55.00	73.77
5	Texas.....	46.97	67.04	89.32
6	do.....	51.15	77.09	101.67
7	do.....	48.41	.....	.....
8	do.....	38.32	56.95	77.06
9	do.....	46.23	65.61	.....
12	Texas, Colorado, Montana, South Dakota, Canada (25,000 cows).....	44.03	62.63	84.58
	Average.....	43.20	62.36	82.43
	Average on basis of 56½ per cent increase in last 2 years (1916–17) over first 3 years (1913–1915).....	35.00	51.00	67.00
		55.00	80.00	105.00

RANCHES BUYING AND FEEDING STEERS 1 YEAR.

No.	Location.	Purchase price.	Cost of keep.	Feed cost.	Gain.	Loss.
3	Oklahoma.....	\$42.17	\$26.33	\$12.18	.....	\$2.64
4	do.....	45.17	30.42	13.21	.....	6.98
11	Central Texas.....	40.06	16.01	2.76	.....	7.97
10	Southern Texas (near border).....	30.22	9.62	1.39	\$13.87	.....

Eight of these ranches make a business of keeping cows and producing calves; some of them also produce 2-year-old steers and some 3-year-olds. On ranch No. 1 the figure for the cost of a calf at weaning time, 8 months, is \$35.05. For a 20-month to 2-year-old steer the cost on this ranch is \$52.18. The figure for a 3-year-old steer is \$68.20. These figures are taken from carefully kept books—the ranchers' bookkeeping records. On some of the ranches a few items are estimated, but in the main the figures on all these ranches are the results of careful bookkeeping. One other very important thing: These figures I am giving you now are averages of five years, commencing with 1913. In 1916–17 the figures are considerably higher. On one of the ranches they average 56½ per cent higher than they do for the three preceding years. These figures include 1912–13, 1913–14, 1914–15, and the high cost of 1915–16 and 1916–17. The costs on this particular ranch are the smallest figures we found on any ranch.

The next ranch (No. 2) is also in Oklahoma. On this ranch an 8-month-old calf cost \$35.47, a 20-month-old steer \$55, and a 3-year-old steer \$73.77.

No. 5 is a Texas ranch: Cost of an 8-month-old calf \$47, of a 20-month-old steer \$67, and of a 3-year-old steer \$89; that is one of the large ranches, producing about 5,000 calves a year, and that record is from carefully kept books.

Another Texas ranch (No. 6): An 8-month-old calf cost \$51, a 21-month-old steer \$77, and a 3-year-old steer \$102.

Another Texas ranch (No. 7): The 8-month-old calf cost \$48.41. This ranch did not produce any older steers.

Another Texas ranch (No. 8): The 8-month-old calf cost \$38.32, the 20-month-old calf \$57, and the 3-year-old steer \$77.

Another Texas ranch (No. 9): The 8-month-old calf cost \$46.23, a 20-month-old steer \$65.61; no 3-year-old steers.

Ranch No. 12 kept 25,000 cows, in the States of Texas, Colorado, Montana, and South Dakota, and in Canada. The cost of a calf at weaning time on this ranch, \$44.03, average for five years; the 20-month-old steer \$62.63, and for the 3-year-old steer \$84.58.

Notice how nearly that big ranch comes to the average of all these figures. The calf on this big ranch costs \$44.03; the average of all is \$43.20; and the other figures are just as close. The average of all the others is practically identical with the average of that big ranch.

The CHAIRMAN. It shows the persistence of averages, does it not?

Dr. SPILLMAN. You see there are enough cattle on that first ranch to make an average. The average of all these figures I have just given you are these: The calves \$43.20, for the 20-month-old steer \$62.36, and for the 3-year-old steer \$82.43.

Now, assuming that cost has increased 56½ per cent in the last five years, those figures would read like this: For the first three years of these figures, \$35, \$51, and \$67; for the last two years, \$55, \$80, and \$105. Those are the figures the farmer must get in order to come out even on the average, and half of the farmers will lose money at those figures.

A VOICE IN THE AUDIENCE. How can they build barns and houses when they lose money on steers and raising wheat?

Dr. SPILLMAN. There are several answers to that question. With corn selling at \$1.80 a bushel, the farmer makes some profit out of corn. If he feeds it to a steer and gets \$1.50 for it, he has lost 50 cents, but with the remaining \$1.30 he builds his barn.

Senator FRANCE. I ask you, Prof. Spillman, is it not true that a very large number of the present farmhouses and barns of this country were built by the farmers in the days when agriculture was much more profitable, owing to the fact that the soil fertility had not then so largely been depleted?

Dr. SPILLMAN. Yes; they were built at a time when the soil did not need the attention it does now, and when it did not cost so much per acre to produce crops.

The CHAIRMAN. The farmer computes his time and labor and the time and labor of his family into money, whether it amounts to reasonable wages or not?

Dr. SPILLMAN. I used corn as one illustration. Here is another. A farmer who is managing an \$80,000 farm should certainly value his time at \$1,000 a year. If he gets only \$400 a year he has lost \$600 worth of his time, and yet with that \$400 he builds an addition to his barn.

I have said there were many answers to the question. I have given you two of them.

Mr. LASATER. May I be permitted to ask Dr. Spillman this question? He referred to a study that was made in 1914 or 1915. That same study, I think, shows the net returns to the farmer. I would like Dr. Spillman to state those returns to this committee. I think I have met that report and that it has been issued by the Department of Agriculture.

Dr. SPILLMAN. Yes; we have that.

Mr. LASATER. And it looks to me like it is pertinent here that the committee should understand the returns to the farmer as shown by that report.

Dr. SPILLMAN. I will have to insert that in the record, because I haven't it at my fingers' ends, but it is in my records here.

The CHAIRMAN. You can insert that in your statement.

(The statement referred to was subsequently furnished by Dr. Spillman, and is here printed in full, as follows:)

Cost and value of beef calves at weaning time.

[Table 39, report 111, office of the Secretary.]

CALVES INVENTORIED AT WEANING TIME.

Year.	Number of calves.	Average value.	Average cost of raising.	Gain.	Loss.
1914.....	906	\$31.93	\$35.69	.....	\$3.76
1915.....	555	36.11	33.56	\$2.55	.....
Both years.....	1,551	33.45	34.92	.....	1.47

Cost and value of beef calves at weaning time—Continued.

CALVES SOLD JANUARY 1 TO JULY 1.

Year.	Number of calves.	Average value.	Average cost of raising.	Gain.	Loss.
1914.....	206	\$44.35	\$56.09	.....	\$11.74
1915.....	26	49.75	46.25	\$3.50	.....
Both years.....	232	45.16	53.77	.....	8.61

CALVES INVENTORIED MAY 1 (YEARLINGS).

1914.....	1,692	\$38.17	\$54.69	.....	\$16.52
1915.....	2,725	37.30	51.87	.....	14.57
Both years.....	4,417	37.70	53.16	.....	15.46

Average five-year cost and profits in finishing a steer in four corn-belt States, 1912-1917.—Allowance made for pork produced in connection with steers.

[From records of large feeders.]

	Illinois.	Missouri.	Kansas.	Nebraska.	Average.
Net cost of fat steer.....	\$111.67	\$88.88	\$121.23	\$112.35	\$108.53
Sales price.....	115.21	83.97	127.81	110.52	109.38
Profit.....	3.53	.....	6.58	.....	.85
Loss.....	.....	4.91	.....	1.83	.....
Margin.....	2.16	1.32	2.50	2.02	2.00
Necessary margin.....	1.87	1.79	2.01	2.17	1.96

Cost of producing baby beef on 67 farms in Illinois, Iowa, Missouri, Nebraska, and Kansas.

[See report 111, office of the Secretary, p. 64.]

Year.	Net cost of animal.	Net selling price.	Gain.	Loss.
1914.....	\$71.61	\$70.19	.....	\$1.42
1915.....	69.82	72.00	\$2.18	.....
Average.....	70.52	71.30	.78	.....

Dr. SPILLMAN. Referring again to the western ranches: There were four ranches that bought steers and fed them, two in Oklahoma and two in Texas. The first of these (No. 3) paid \$42.17 apiece for its steers and it cost \$26.33 a head to keep them a year. Of that cost, \$12.18 was for feed. They lost \$2.64 a head on their steers.

Another Oklahoma ranch (No. 4) produces figures about the same; the loss on this ranch was \$7 per steer. These are five-year averages.

At a ranch in central Texas (No. 11) the figures are slightly different. They paid \$40 for their steers and they spent only \$16 in keeping them a year. The feed cost was only \$2.76 a year, because they are farther south and they run their cattle on the range nearly the year around. They lost about \$8 a head on the average for the five-year period.

Ranch No. 10 is a very interesting case. If we could get all of our beef from ranches like this, we could have cheap beef. This ranch is located at the southern border of Texas. The owner buys Mexican cattle for a song, and frequently the Mexican plays the song on his mandolin. Then he pastures these cattle in southern Texas, where his total yearly expenses for feed was \$1.39 per head. He buys his steers at \$30.22. This is a five-year average. His total expense of keeping a steer is \$9.62 a year, of which feed is \$1.39. He made an average profit of \$13.87 a head.

The CHAIRMAN. That must be the beef which the Willard uses. [Laughter.]

Dr. SPILLMAN. I could not tell you who eats that beef, Senator. I have other figures here, but the tenor is the same.

The CHAIRMAN. Any of those figures that you think are material and shed additional light on the subject you may add to your statement.

Dr. SPILLMAN. I will do that, Senator.

(The statements referred to by Dr. Spillman during his statement above have been inserted at appropriate places in the foregoing text.)

The CHAIRMAN. If that is all upon the subjects in hand, the committee will now consider other matters before it.

(The committee thereupon proceeded to the consideration of other business.)

Mr. LASATER. I would like to state this: I do not now remember the exact date, but probably the 10th or 12th of February—

The CHAIRMAN (interposing). 1918?

Mr. LASATER. Yes, sir. A committee composed of Walter L. Fisher, E. L. Burke, Dwight B. Hurt, T. W. Tomlinson, William Kent, and myself, waited on Secretary Houston, and he practically confirmed in his conversation with us the telegram he had sent to Mr. Pryor at Salt Lake, leaving the impression that these studies had been pushed to the limit from the incipency of the movement the previous fall. So you gentlemen may draw your own conclusions why the country has not got a full report on the cost of live-stock production.

But in this connection, I want you gentlemen to bear in mind that every packer that appeared here was most eulogistic of everything connected with the Department of Agriculture. They wanted to be put into the hands of the Department of Agriculture. Now, gentlemen, I do not think that a mere coincidence. I know every packer who was here must have known exactly why the cost studies have not been given to the country. If you go into it you will find that they have kept—Mr. McManus may be here this morning. [Witness turns around and surveys audience.] At any rate he has attended most of the hearings, and he has been in Washington practically all the time since this investigation started and kept the packers informed of what was going on.

Mr. STEPHENS. Who is Mr. McManus?

Mr. LASATER. A lawyer employed by Swift. He seems to be Swift's outside man, for outside work. He sends him to live-stock meetings, and since I have been in Washington I have met him a very great deal, and it seems to me he has been here the most of the time.

Mr. ESCH. There were several reports gotten out by the Department of Agriculture on the cost of wheat production, and other grains, but they were withdrawn, and the Secretary stated that they were issued without his consent, that they did not have data enough in order to send out what he considered to be an actual cost-production sheet. Is that the same experience you have had with reference to the cost of live stock?

Mr. LASATER. I will say this: The only cost of live-stock production that I have come in contact with personally is this data given by Prof. Spillman, that we will discuss a little later on, and a bulletin that I think was made public in 1916 by the Department of Agriculture on live-stock production in the corn belt, or the production of baby beef and stockers in the corn belt in 1914 and 1915.

Mr. HAMILTON. What do you say were the actual reasons that animated the Secretary of Agriculture in discontinuing these cost studies?

Mr. LASATER. I think Prof. Spillman gives the real reason there in his letter. Mr. Houston did not want the country to know the cost of live-stock production under present conditions.

Mr. HAMILTON. Why not?

Mr. LASATER. Because it meant higher prices. It meant, unless you intend to eliminate the live-stock producer from consideration, that you would give him a return on his cost.

I want to say this, that I believe you gentlemen are well enough posted on the essentials of food requirements and of economic production to realize that on the basis that butter is selling to-day, at about 45 cents at Chicago, there is not a State in the Union that can produce butter at that price and make a profit, and there hasn't been a State in the Union able to do it since this war started four years ago, and here after four years of war you have that commodity, for which there is no substitute for the growing young or for pregnant women, selling at less than cost to-day.

The CHAIRMAN. Do you mean at retail?

Mr. LASATER. No, sir; I mean what the producer gets for the butter.

Mr. RAYBURN. Mr. Lasater, in order that this committee may know you can qualify to speak on this subject, let me ask: How many cattle do you milk daily at your dairy?

Mr. LASATER. From 800 to 900 cows daily. I average at my dairies about 850 cows.

The CHAIRMAN. You are in the dairy business.

Mr. LASATER. Yes, sir. I have been in the beef business practically all my life, as a speculator or a grower, and for the last eight or ten years I have tried to start our people into dairying, and in order to do so I had to put in a dairy myself—

The CHAIRMAN (interposing). Right in that connection, I want to say, Mr. Lasater, that I have had to pay, as a consumer, 80 cents a pound for butter all winter, and only recently it has taken what might be called a great fall, and yet it is 75 cents a pound. The least charge that I have had to pay has been 75 cents a pound.

Mr. LASATER. Even so, but if any of you gentlemen will take the quotations, you will see that butter, and I mean by that Elgin butter, a high-grade butter, is selling at 45 cents at Chicago.

Mr. HAMILTON. Who gets the difference between the 45-cent wholesale price and the 80-cent retail price?

Mr. LASATER. I think it is up to you gentlemen to find that out. This bunch of live-stock producers commenced this agitation three years ago with the idea that this information could be put before the people of the Nation in such a way that they would have confidence in it. That is what caused us to work for this investigation.

Mr. HAMILTON. It has been testified that the packers make about \$1 a head on cattle for slaughtering them, and that but for the by-products they could not come out even. Is that in accordance with the results of your investigations?

Mr. LASATER. Mr. Congressman, I could give that just the same credence as if you led me up to the open window there and told me there was no sun shining, when I can look out and see it shining brightly. I can just as well believe that the packers' profits are only \$1 a head as I can believe now that the sun is not shining. One would be just as easy to believe as the other.

The CHAIRMAN. And I believe Mr. Morris put his profit at 79 cents a head.

Mr. DEWALT. Let me ask you a question right there: Butter is selling at 45 cents a pound wholesale in Chicago, the best butter.

Mr. LASATER. Yes, sir; that is the wholesale price we are talking about now.

Mr. DEWALT. Yes; I understand. These packers are in the butter business, too, aren't they?

Mr. LASATER. Very largely.

Mr. DEWALT. What do they get for it when they sell it wholesale?

Mr. LASATER. I am unable to give those facts. They buy and sell, you understand, and push the market up and down, so I am unable to tell you that at all. There would be no producer in a position to give you those facts; they would be much like yourself or any other citizen in regard to that matter. There is no man who would be able to come here and cover the ground and cover it so that it might not be questioned.

Mr. DEWALT. You have no data to show how the price of 45 cents a pound which obtains, we will say, to-day in Chicago compares with the price that the packers themselves obtain for butter when they sell it?

Mr. LASATER. No; I could not give you that at all. I do not know where I would find such statistics.

Mr. DEWALT. All right; I thank you very much.

Mr. LASATER. I want to make this statement here, as it must go into the record: I do not believe that the packers within themselves could have put the country just in the situation it is in. The Food Administration has made possible the conditions we have had to contend with for the past 18 months, and the packers, independent of the Food Administration, could not have brought it about.

Now, gentlemen of the committee, I have certain facts to present, and I hope you will be patient with me in a recital of them and permit me to present them in a succinct and connected way. It can not be done hurriedly nor briefly.

And I will say this: I would just as soon testify under oath as to make a statement; in fact, would prefer to testify under oath if my testimony could be used in the future in investigations, because I live thousands of miles from Washington, and I have given the greater part of my time for two years to this business, and am not in condition to stay away from my business any longer. So if there is a possibility of getting at the real facts in these matters—and that can only be done, in my opinion, where you take testimony under oath—I would prefer that my statement be given now under oath, so that it may be used in the future without my having to return.

Mr. DECKER. If it will not interrupt I would like to ask a question on that with the consent of the chairman?

The CHAIRMAN. Very well, proceed, Mr. Decker.

Mr. DECKER. You know, of course, Mr. Lasater, that the experience of we Congressmen, and our knowledge of this business is more or less limited, and you do not blame us for that. In your experience with the live-stock industry would it be better, or would it be better if this committee or some other committee in the Congress, would take more time with the investigation and get all the testimony we can

get, either around in different parts of the country or here, and take it under oath. Would that be more satisfactory to the country, in your judgment, and more effective toward bringing out the truth?

Mr. LASATER. I think unquestionably so. I would state this: I believe it is a national need that there should be a thorough airing of the Department of Agriculture and the Food Administration. The reason I make this statement is this: That no greater misfortune could befall this country than to have to continue and increase as it continues the present antagonism between the producer and the consumer. And unless you know the facts, the real facts, you can not and will not treat the producers of this country fairly. And I think the very men who represent the consumers—and I have heard Mr. Doremus say he represents a consuming constituency—so I say, I think Representatives elected by consuming constituencies owe it to their own people to get down to the very bottom of existing conditions and have the facts brought forth and presented to the people.

The CHAIRMAN. Proceed with your facts, Mr. Lasater.

Mr. HAMILTON. Just before you proceed with your statement along that line let me ask: I understood you to say that you acted as expert adviser for the Food Administration?

Mr. LASATER. Yes, sir; before the law creating the present Food Administration was passed I was invited by Mr. Hoover to accept the position of live-stock adviser, and I did; I took that position. But I resigned from the Food Administration on November 7, 1917. I handed my resignation to Mr. Hoover, worded about as follows: "I resign because I feel that the practices and policies of the Food Administration are harmful to the common welfare."

Mr. HAMILTON. Were you instrumental in fixing the price for live hogs at 17½ cents a pound?

Mr. LASATER. No; that has occurred sometime since. But I was one of the factors used by Mr. Hoover to encourage hog production and made several trips through the West and addressed several meetings in behalf of increased hog production.

Now, gentlemen of the committee, I will come to that subject in time and discuss it fully.

The CHAIRMAN. Very well. Now, gentlemen of the committee, let the witness state his facts in his own way. And, Mr. Lasater, we will be glad to have you give us your facts; that is what we want to have.

Mr. LASATER. All right.

Before we got off the subject of the packers and the live-stock markets I gave one instance that happened many years ago, either in 1888 or 1889, and now I will relate what happened in 1917 to me personally. For several years I had sold the bulk of my increase as stockers, each year feeding a small bunch of what we term "baby beef." I was attempting to get my community interested in dairying and the production of baby beef. That is the most economic way, and I think will be the way our beef will be produced. So I fed several hundred head, you might say, as an object lesson to the community. In this year 1917 I had, I think, four hundred and odd head, just about a train load. The commission firm that handled my business for many years was the Barse Commission Co., of Kansas City, St. Louis, and Fort Worth. When I had these cattle about

ready I stopped off at Fort Worth and talked to Mr. Cohn, the salesman of the company, about the cattle. I told him that I had just about a train load, and that I was afraid to risk the Fort Worth market with them, because, in my opinion—and my community likewise shares my belief—I had been discriminated against on that market since this agitation started. The Fort Worth market is dominated by Armour & Co. and Swift & Co. So I told Mr. Cohn I thought I better go to St. Louis or Kansas City, but for him to take the matter up and advise me. Cohn said, "Your stuff ought to come to this market. We are shorter of your class of stuff than at any one of the big markets, and the packers can use it here to better advantage than at the other markets." He said, "I will take the matter up with the buyers of Armour & Co. and Swift & Co. and see if they will protect the market so far as your shipments are concerned."

Several days after I reached home, I received a letter of about this tenor from Mr. Cohn: He said that he had seen Armour & Co.'s buyer, and that he had agreed to protect the market at Fort Worth for my stuff, but that he did not want it to come in large shipments; but to let it come in about five or six carload lots. That meant about three shipments.

I shipped as he had suggested, about five cars, and they brought \$11.75 a hundred pounds, which was approximately the market in St. Louis when you deduct freight and shrinkage. The second shipment brought just \$1 less, or \$10.75 a hundred. The Barse Commission Co. thought they probably ought to have brought about \$11 or \$11.25 a hundred, but he sold them rather than forward to another market. The third shipment was sent forward, and after their arrival I got a wire from the Barse Commission Co. stating that the packers had offered such a mean price, Armour & Co. being the only bidder, that they had forwarded them to the National Stockyards, Illinois, at East St. Louis. My recollection is that there were seven carloads in this shipment.

When they arrived at the National Stockyards the only bidder was Armour & Co. Except on three cars sold to an independent buyer, and I do not know who he was. They brought a dollar more a hundred than had been offered at Fort Worth. That was the tail end of the shipment, and these cattle brought in East St. Louis \$8.50 a hundred, and my recollection is that the Barse Commission Co. had been offered only \$7.50 a hundred at Fort Worth.

One of the remaining cars brought 10 cents, exactly the same price as Armour & Co. offered at Fort Worth; and the three remaining cars brought 9½ cents a pound, or 50 cents a hundred pounds less than Armour & Co. had offered for them at Fort Worth—a net loss to me of freight, shrinkage, and 50 cents a hundred pounds. Armour & Co. was the only bidder on these four cars at either Fort Worth or St. Louis.

I wrote to Mr. Simcock, the salesman of the Barse Commission Co., to get for me the address on the cattle bought by Armour & Co. You gentlemen may know that the value of such animals depends upon their dressing percentage. I was informed that Armour & Co.'s buyer said they would not furnish us with information as to what they dressed. But we know from the dressing of those sold at Fort Worth

that these did not dress less than 56 per cent, which made them fairly good cattle. And I think, if you will go into the market and ascertain the facts, you will find that there was not another shipment sold in the National Stockyards that day of that dressing for that money.

Mr. SANDERS. Do you mean as cheap as that?

Mr. LASATER. Yes, sir.

When the Barse Commission Co. forwarded those cattle from Fort Worth they advised me that the offer was so bad they decided to ship them to another market, and their advices were that the meat market in the East was good, and that the cattle ought to sell on a rising market. You will find on investigation that it was good, that the beef market in the East was good, and that the cattle ought to have been sold on a rising market. Ten days later the reverse took place, you had the picture swapped. In other words, they bought my cattle in anticipation of a decline a week or 10 days later, because as meat was selling at that time they were entitled to a higher bid than happened with them at Fort Worth.

The CHAIRMAN. Go ahead now with your facts.

Mr. LASATER. I will make this other statement and quit the subject of stockyards and the sale of cattle. I have not heard any packer or commission man allude to this incident, which is one of frequent happening on all live-stock markets. If a shipment of cattle goes in to your commission man and he offers them to a packer-buyer the packer-buyer may bid, we will say, 9½ cents a pound. The commission man says, "That is not quite the market, John; I think I ought to get 10 cents more," or whatever he thinks is the market for those cattle. The packer-buyer says, "I will not pay more." The commission man attempts to work the market to see if he can not get more money, but does not get another bid on the cattle. So he goes back to the packer-buyer who made the original bid and offers to take the price bid. Then the packer buyer says, "No; I can not do that now. I will give you \$9.45 or \$9.40 a hundred." That is what is termed "Setting the salesman."

The CHAIRMAN. What is that?

Mr. LASATER. That is s-e-t-t-i-n-g up. If the commission men attempts to work for the man who pays his commission too strongly he is punished. Here is what happens: I have been on the market numbers of times when that happened. If you take a man who is not in very close touch with the market and ships a car only occasionally—and his neighbor may do the same thing—and his salesman does not stand well with the packers, and naturally they want to get cattle shipped to some man the packers are not antagonistic to, the packer buyers will adopt the "setting up" treatment for the shipment. That is exactly why that system is indulged in and nothing else.

I have not heard any packer or commission man mention that system, but I here make the statement that that is a very frequent happening.

Now, as to the wiring on. Mr. Morris testified here and all other packers contended that the wiring on could not be injurious, and that it was never intended to be injurious to the producers. The first time I met Mr. Morris was at the El Paso convention, in Janu-

ary, 1916. That was when we started this agitation. Mr. Morris and Mr. Meeker both were before the executive committee of the American National Live Stock Association at their meetings. Mr. Morris there admitted that that had been the custom of Morris & Co., "but," he says, "we have stopped it. We are not doing it now, and we don't intend to do it any more."

My recollection is, though I may not have it all exactly, but I listened to a good deal of this testimony, and it was either Mr. Swift, or Mr. Welds for Mr. Swift, who attempted to explain the way this wiring on was done and why. As they explained it and considering the actual results there is no similarity at all; as to the difference between what it really means to the shipper and the meaning they attempted to give to it before this committee.

Now, as far as the data with reference to the packers' contention and their connection with the Food Administration is concerned I would like to make my statement consecutively, and as I take it the committee is about ready to take a recess for lunch, perhaps it would be better to begin after recess.

(And, at 12 o'clock and 50 minutes p. m., an adjournment was had until to-morrow morning at 10.30 o'clock.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Tuesday, February 4, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order, and Mr. Lasater will proceed.

STATEMENT OF MR. E. C. LASATER, OF FALFURRIAS, TEX.—
Resumed.

Mr. LASATER. Mr. Chairman and gentlemen, on yesterday I made the statement that the Department of Agriculture and the Food Administration had been used as a screen to enable the packers, the five big packers, to exploit both the producers and the consumers of the country.

I realize fully that no man should lightly make such an assertion, and that if the facts I have in my possession do not justify that statement, the sooner the country can be made aware of it and myself thoroughly discredited the better for the country.

Now, I would like to commence with the Food Administration by giving you my last point of contact. I do this because all the parties to this incident are now in Washington, and the facts—the real facts—can be ascertained by this committee.

Judge Glasgow, counsel for the Food Administration, in his statement before the Agricultural Committee of the Senate, said—this is from that hearing, page 351—

The profit that we allowed " and I have explained to this of the packers business under lieve to be a correct interpr

ackers is 9 per cent, to such how be have

the Federal Trade Commission's figures of their audit, as to the profits made by the packers on that part of the business which under the law we could regulate, and those figures show that from November 1, 1917, to October 31, 1918, the profit of the packers on the business we were authorized to regulate was 5.6 per cent—these are the Trade Commission's own figures.

Senator NORRIS. What year was that?

Mr. GLASGOW. That was from November 1, 1917—the packing year—to October 31, 1918.

Senator NORRIS. To what packers does that refer?

Mr. GLASGOW. The five leading packers.

Senator NORRIS. That is the average, I suppose; it does not mean they all made exactly the same.

Mr. GLASGOW. No; it does not; that is the average, I suppose, Senator.

Now, Mr. Snyder, the head of the meat division of the Food Administration, was sitting beside Mr. Glasgow when he made this statement.

Mr. Tator, accountant of the Federal Trade Commission, was sitting by me. Mr. Tator made the statement:

That is a direct misstatement of a fact. When we gave Mr. Snyder the information he asked for, we stated to him, and left it so there could be no question in his mind, that we were submitting to him the reports as made to the Federal Trade Commission by the packers; that they had not been audited, and we did not vouch for their correctness.

Now, I think this is important at this time, because we are advised that the Food Administration is being wound up; that is, its activities.

Mr. Hoover has advised us from Europe that he can see very readily and the world can recognize why the packers should be opposed to him, because he has taken from Swift some \$10,000,000 of profits.

I state to this committee that there is nothing in evidence, and they can produce nothing, that will show that Mr. Swift has sacrificed \$10,000,000 of profits for last year; but, on the contrary, every place where we touch the packer and touch his profits shows that his profits in 1918 increased over those in 1917.

Now, Mr. Tator, Mr. Snyder, and Mr. Glasgow are now in the city. If Mr. Glasgow got his information from Mr. Snyder, then Mr. Snyder is responsible for the misstatement to the public. If Mr. Snyder stated to Mr. Glasgow the information as he got it from the Federal Trade Commission, then they are jointly responsible for the misstatement to the public.

Now, gentlemen, I think I may save time if I am allowed to present to this committee my connection with the Food Administration from its incipency, and I think I have correspondence here that propably would do it more fully than any statement I could make before you gentlemen, and I will state that if you will be patient and permit me to finish my statement, as far as the Food Administration is concerned I will be glad to submit to any questions, and I do not object to be questioned, either by the packer attorney or by a representative of the Food Administration.

The CHAIRMAN. Do you want to put the correspondence in without reading it?

Mr. LASATER. I would like to read part of it.

The CHAIRMAN. And then submit all of it?

Mr. LASATER. And then submit it all.

The CHAIRMAN. You are going to read and comment on the statements and then submit all of it for the record?

Mr. LASATER. Yes, sir. Now, as I stated to this committee yesterday, I resigned from the Food Administration November 9.

Mr. ESCH. 1917?

Mr. LASATER. 1917. I want to make this further statement this morning. That is a fact, but I presented my resignation to Mr. Hoover on October 20, and after some discussion of the matter and my reasons for resigning, at Mr. Hoover's request I withdrew it, and then later, on November 9, I made effective my resignation in the same words I had used when I tendered it to him on October 20, and I think it might be well for me to state this now.

One of the points I discussed with Mr. Hoover on October 20 was the dairy situation. I knew that Mr. Hoover had in his possession a report on the cost of milk production by a committee that he himself had appointed. I took the position that those costs ought to be made public. Mr. Hoover said, "No; we can not make them public, because they show the farmers are entitled to what they are asking."

At that time, as you gentlemen may remember, the fall of 1917, the press of Washington, and the eastern press, especially, and Chicago is not an exception, was roasting the milk producers of the country for attempted exploitation of the consumers during war time. They were accused of being murderers of children, women, etc.

Now, I took the position with Mr. Hoover that if the Food Administration would make public the data it had to show that there was no exploitation in what the farmer was trying to get, but was only trying to protect his own women and children, that at least that would stop the unkind criticism of the urban press.

Mr. Hoover still differed with me and said that the consumer was only interested in buying it cheaper.

At this particular time the Agricultural Department was prophesying a very large feed crop, and Mr. Hoover was under the impression that we were going to have cheaper food a little later. I am now talking about October. And he wanted to come to the producers of the country, the big crowd, bearing glad tidings, showing wherein he had been able to bring down the price of milk.

Now, that situation of cheaper cost of production has never arrived yet, and Mr. Hoover's lack of courage to advise the country of the truth at the time this agitation commenced has caused untold harm to the country and antagonized the producers and consumers of the country to a point where it may take a generation to cure.

This letter is dated, Washington, D. C., November 12, 1917:

U. S. FOOD ADMINISTRATOR, *Washington, D. C.*

DEAR SIR: In compliance with your request of November 9, that I specify what "policies are harmful to the common welfare," I submit the following:

On July 25 I was asked by you to accept a position with the United States Food Administration. I commenced at once as chief of the department of live stock and animal food products, was requested to make a report on general live stock conditions and to outline a live stock policy for the Food Administration.

I have that report here, and I will submit it, and will state that this report was later adopted by the Department of Agriculture, and it was released jointly by the Department of Agriculture and the Food Administration.

(The report referred to follows:)

[For release for morning papers of Aug. 22, 1917.]

No. 152.

UNITED STATES FOOD ADMINISTRATION,
PUBLIC INFORMATION DIVISION,
August 21, 1917.

The Department of Agriculture and the Food Administration desire to bring to the attention of stock men and farmers the following general position as to the American and the world situation in food animals and the provisions which are broadly necessary from a national point of view.

One of the incidents of the European War has been the slaughter of large numbers of animals, and it is estimated that already the herds of Europe have been diminished by 28,000,000 cattle, 54,000,000 sheep, and 32,000,000 hogs. An accelerated increase in this diminution of meat animals must take place in Europe from month to month as long as the war lasts.

We have two problems in meat supplies. The first is the task of supplying our own soldiers and citizens and helping feed the soldiers and citizens of our allies during the war; and to do this we must furnish larger supplies and must find these supplies for the present largely by reduction in our own consumption and waste.

The second problem is the one which we desire to bring particularly to the attention of the American producer, and that is: After the war, Europe, with diminished animals, and therefore diminished annual production of animal food, will require larger imports of meats during the years of recuperation, and will probably require the actual import of breeding animals. Therefore, in a broad way, the outlook to the American producer from now on and after the war will be (a) a large demand for animal products, (b) a continuing necessity for meat and dairy animals to convert forage and grains not needed for human consumption into meats and dairy products.

The herds and flocks of the country can only be increased over a period of years, and the foundation for such an increase should be laid at once. Such increase is a national interest, and it must be made to the interest of the American producer.

Owing to the large measure of failure in roughage available in western ranges this year there must be either a reduction in western animals or their redistribution into the Central and Southern States, where there is a larger amount of roughage and concentrates available than ever before. Therefore, if the roughage in the Central and Southern States is saved in an economical manner and if stocker steers, young cows, helpers, and ewe lambs of good quality that will be marketed during the next 90 days from the western sections of the country are redistributed, these animals will have been saved and the foundation will have been laid for a material increase of our herds.

Some sections of our country are stocked to capacity with mother ewes, from which lambs are marketed at from 70 to 80 pounds weight. This is the most economic method of producing mutton, just as "baby beef" is the most economic method of producing beef, and the quality of both these meats is of the best.

What we need is more cows and more ewes producing the 700-pound calf and the 70-pound lamb. We wish to restore the confidence of the farmer in his industry by convincing him that he will get a fair share of a fair price paid by the consumer and extending to him credit on a reasonable basis so he may be able to equip his farm for handling sheep, hogs, and cattle successfully. Only by adopting the foregoing methods and principles can production be stimulated and the consumer protected.

Many of these same cattle will be required to restock the ranges from which they are now being moved, when normal range conditions return the coming year. The nearer to these ranges the cattle can be wintered, the more freights will be saved, both coming out and going back, and the less tax upon the rail-

road. Finally for the future welfare of our Nation that the supply of all be increased. This, not only from the standpoint of directly increased supply of the country, but more live stock on the farm means more fertility means larger grain crops produced per bushel; more cheaply produced grain should mean cheaper food for the farmer as well as more net profit to the farmer. Especially

should the energies of the farmer be directed to increasing the sheep stock of the country. Clothing comes next to food as a necessity. Not only does the sheep meet the demand from a food and fertility standpoint, but for its wool for clothing there is no substitute. Every interest that can make itself felt should advocate and encourage the establishing of flocks of sheep in proportion to size of farms in every section of our country. Every farmer should carry to its yearling form every heifer calf of both dairy and beef breeds and every ewe lamb that promises to have an economic future.

Every effort should be made to bring to maturity every heifer calf or ewe lamb whose breeding will give some assurance that it will convert its feed into either profitable meat or profitable dairy products.

State authorities should take immediate action to control the dogs whose depredations have made sheeep raising on the farm so difficult a task.

It is equally desirable to increase hog production in this country by every means possible. The increase in demand for pork products is no less than for cattle and sheep products. In this matter the expansion of existing herds is essential, and a redistribution of hogs from centers of less feed supplies to those of greater resources is necessary. Furthermore, the raising of pigs by suburban populations and the utilization of home garbage and perishables not otherwise useful is of double advantage to the Nation.

The law that we are now operating under as to food control is conceived and administered in a desire to maintain remunerative and stimulative returns to the producer and to enable these products to reach the consumer with only a reasonable profit allowed for services rendered. Therefore, it is the object of the administration to eliminate unnecessary cost between producer and consumer.

An intelligent use of the Department of Agriculture's daily reports of the meat situation and the department's report of the loading of stock at all shipping points should enable the producer to distribute his shipments to better advantage, thereby assisting in lessening the wide fluctuations in market prices for live stock.

In order that a definite and Nation-wide campaign to secure these results may be at once undertaken, we have asked the following gentlemen to serve upon a general committee to be known as the United States Live Stock Industry Committee:

J. M. Carey, Cheyenne, Wyo.	Fred Jones, Livingston, Ala.
Henry C. Stuart, Richmond, Va.	A. K. Sessoms, Cogdell, Ga.
I. T. Pryor, San Antonio, Tex.	C. S. Ucker, Continental Building, Baltimore, Md.
John Landergin, Amarillo, Tex.	G. Howard Davidson, Millbrook, N. Y.
Charles Robinson, Union Stock Yards, Chicago, Ill.	A. H. Sanders, 542 S. Dearborn Street, Chicago, Ill.
Marion Sansom, Fort Worth, Tex.	F. Lothrop Ames, North Easton, Mass.
C. O. McClure, Kansas City, Kans.	Wilfred Wheeler, State House, Boston, Mass.
E. C. Brown, Union Stock Yards, Chicago, Ill.	M. D. Munn, St. Paul, Minn.
Alfred F. Gage, San Antonio, Tex.	W. T. Creecy, Catawissa, Pa.
Henry G. Boyce, San Carlos, Ariz.	H. G. Van Pelt, Waterloo, Iowa.
Dwight B. Heard, Phoenix, Ariz.	H. R. Smith, Union Stock Yards, Chicago, Ill.
H. A. Jastro, Bakersfield, Cal.	E. Davenport, Urbana, Ill.
A. E. De Ricqles, Denver, Colo.	W. W. Marsh, Waterloo, Iowa.
John McBain, Trinidad, Colo.	W. P. Ijams, Terre Haute, Ind.
C. K. Warren, Three Oaks, Mich.	E. B. White, Leesburg, Va.
Victor Culbertson, Fierro, N. Mex.	James L. Gay, Pisgah, Ky.
A. B. Robertson, Slayton, Tex.	L. M. Rhodes, Jacksonville, Fla.
R. R. Russell, San Antonio, Tex.	J. F. Elsele, Malcolm, Iowa.
J. C. Underwood, Underwood, Wyo.	Philip T. Hainer, Taylorsville, Ill.
E. L. Burke, Omaha, Nebr.	H. C. Wallace, Des Moines, Iowa.
C. M. O'Donnell, manager Bell Ranch, N. Mex.	S. W. McClure, Salt Lake City, Utah.
A. J. Lovejoy, Roscoe, Ill.	J. M. Wilson, McKinley, Wyo.
N. H. Gentry, Sedalia, Mo.	Dan D. Casement, Manhattan, Kans.
John M. Evvard, Ames, Iowa.	F. S. Hastings, Stamford, Tex.
John Lee, Shelbyville, Ky.	
L. F. Verkamp, Flagstaff, Ariz.	
E. K. Middleton, Pocahontas, Miss.	

John M. Parker, New Orleans, La.
 M. A. Traylor, Union Stockyards, Chicago, Ill.
 John B. Kendrick, Sheridan, Wyo.
 Frank Miracle, Helena, Mont.
 Wirt Wright, National Stockyards, Illinois.
 J. H. Dobbins, Joseph, Oreg.
 F. M. Rothrock, Spokane, Wash.
 J. S. Doty, Shenandoah, Iowa.
 Cato Sells, Indian Office, Washington, D. C.
 Gifford Pinchot, Food Administration, Washington, D. C.
 E. C. Lasater, Food Administration, Washington, D. C.
 A. F. Potter, Forest Service, Washington, D. C.
 George M. Rommel, Bureau of Animal Industry, Washington, D. C.
 W. B. Tagg, Omaha, Nebr.
 Emil Ingwersein, Chicago, Ill.
 Chas. Day, Chicago, Ill.
 H. E. Morrison, Oxford, N. H.
 B. H. Rawl, Bureau of Animal Industry, Washington, D. C.

F. R. Marshall, Bureau of Animal Industry, Washington, D. C.
 C. F. Curtiss, Ames, Iowa.
 C. H. Eckles, Columbia, Mo.
 R. W. Cassidy, Whiting, Iowa.
 E. Z. Russell, Omaha, Nebr.
 E. S. Bayard, East End, Pittsburgh, Pa.
 Tait Butler, Memphis, Tenn.
 W. R. Goodwin, Naperville, Ill.
 A. G. Wade, White Pigeon, Mich.
 Ed. M. Shoemaker, Eggleston, Md.
 W. T. McCray, Kendallville, Ind.
 G. W. French, Davenport, Iowa.
 C. L. Hill, Rosendale, Wis.
 A. J. Glover, Fort Atkinson, Wis.
 A. L. Brockway, Syracuse, N. Y.
 J. G. Watson, Brandon, Vt.
 Robert Scoville, Chapinville, Conn.
 H. W. Jeffers, Plainsboro, N. J.
 C. A. Tyler, Detroit, Mich.
 E. A. Sawyer, Flagstaff, Ariz.
 Dr. J. M. Wilson, Douglas, Wyo.
 F. J. Hagenborth, president of the National Wool Growers' Association.

We have appointed Mr. George M. Rommel and Mr. P. H. Rawl, of the Department of Agriculture and Messrs. Lasater and Pinchot of the Food Administration, to serve on an executive committee to be added to form the general committee. The State agencies, the Department of Agriculture, and the Food Administration, and, we trust, the State agricultural and food institutions, together with State councils of defense, will also cooperate. The county agents of the Department of Agriculture will take orders for cattle, ewes, or ewe lambs, among the small farmers of communities in less than carload lots, and we have arranged with the live-stock exchanges to contribute to this mobilization of the Nation by buying this stock and seeing to it that it is properly handled while in the yards, free of any charge to the buyer.

This campaign should not be considered to have terminated successfully until the great majority of our farms have their flocks of sheep and a sufficient stock of cattle to consume all roughage now largely wasted.

D. F. HOUSTON,
Secretary of Agriculture.

HERBERT HOOVER,
Food Administration.

(Quotation of letter continued:)

I spent the first week in August in getting in touch with the live-stock conditions as reflected at Chicago, Kansas City, East St. Louis stockyards.

On my return I found the Food Administration campaign of "eat no lamb, eat no veal" at its height. I at once advised Mr. Requa, your first assistant—

I will state here that at that time Mr. Requa's position with the Food Administration was first assistant to Mr. Hoover, and I was working directly under Mr. Requa.

(Continuing quotation:)

that the campaign against veal and lamb was uneconomic, could not be made to increase our meat supply and would result in a great loss to the producers, and should be stopped. I handed him a statement outlining what should be the policies of the administration in regard to use of veal and lamb.

His comment after reading the statement was that "no damn man could make me eat that much crow." My reply was, that any "damn man equal to his job would take the necessary steps to correct a mistake when shown that a mistake has been made." He proposed, "let's see Hoover." We submitted the statement to you, no definite decision was made and after general discussion of live-stock matters, the interview closed.

Later, I was advised to cooperate with Mr. Rommel and Mr. Rawl of the Department of Agriculture in the selection of a representative body of live-stock producers to be called to meet in Washington and to be known as the United States live-stock industry committee.

The personnel of that committee is attached to this report.

Such a meeting was held in Washington on the 5th, 6th, and 7th of September. I was asked to prepare a statement outlining the policies of the Food Administration in connection with live-stock production and conservation. Such a statement was prepared and contained the same policies as regards veal and lamb that were so strenuously objected to by Mr. Requa previously.

The Secretary of Agriculture joined with you in making this statement the joint policies of the two departments in regard to live-stock production and conservation. This statement was released to the country under the date of August 22. I make same a part of this statement. In connection with the Food Administration's campaign "eat no veal, eat no lamb," I do not charge criminality, only ignorance—ignorance of facts connected with economic live-stock production accepted by all the leading European countries, including Germany, and for many years exploited by our Department of Agriculture.

By the time of the meeting of the United States live-stock industry committee on September 5, in Washington, I found the title of my Department to read "Live Stock and Farming." All information in regard to meats and animal food products had been stopped from reaching my office. A subcommittee of the United States live-stock industry committee made a report and recommendations to you on September 18. This report is on file in your office and is made a part of this statement. You later stated to me that there was nothing "worth while." "Nothing creative in the report." I hazard the opinion that to a man big enough to visualize the future and have the necessary food supplies for our Armies, our allies, and our people, it is pregnant with wise suggestion. I refer you to Bulletin No. 229 of Dr. Pearl's Department of the United States Food Administration and make the same a part of this statement. This bulletin shows when digested, that to supply our needs the coming year we must have an increase in our hog supply of approximately 35 per cent or 15 per cent more than last year, one of the large years in hog production.

After much dilatory tactics, you finally agreed with my colleague, Gifford Pinchot, that if he would have the swine breeders of the corn belt petition the Food Administration to correlate 100 pounds of hogs to its equivalent in bushels of corn, you would make the relation so ascertained the value of the hog.

Mr. Pinchot had meetings with the swine breeders and feeders at Waterloo, Iowa; Omaha, Nebr.; and Kansas City, Mo. Mr. Pinchot returned with the petitions and a new line of dilatory tactics developed—consideration of the welfare of the Chicago packer being one of them. Mr. Pinchot had a conference with Mr. T. M. Wilson—

Mr. ESCH. That is in the nature of a charge which you make, that one of the causes of delay was the understanding of these Government officials with these packers; is that your implication?

Mr. LASATER. That is my implication.

Mr. ESCH. I suppose you intend to justify that?

Mr. LASATER. Yes, sir. [Reading:]

Mr. T. M. Wilson, of Chicago, head of the packers' committee, was in Washington, and Mr. Wilson stated that he was in favor of action by the Food Administration as recommended by the petitions and would recommend to the packers that they join with the Food Administration in guaranteeing to the producers hog values so ascertained.

Two days later in Chicago Mr. Wilson advised Mr. Pinchot that he had withdrawn from the support of the measure because Mr. Requa, your first assistant, had advised him he did not think it wise for the packers; that it might involve a financial loss to them. After some days more of effort on Mr. Pinchot's part, despairing of accomplishing anything within your organization for the public welfare, Mr. Pinchot handed you his resignation, which is here made a part of this statement—

Mr. HAMILTON. What Pinchot is that?

Mr. LASATER. Gifford Pinchot. [Reading:]

Knowing that inaction on your part meant sacrifice of the needed increase in meat production, and after it was made plain that you were not going to take the action you had promised in the event Mr. Pinchot obtained the endorsement of the swine breeders and feeders of the plan, I wrote a telegram to Henry Wallace and submitted it to you and advised its sending. It read as follows:

"Henry Wallace, chairman hog committee, United States live-stock industries committee, Des Moines, Iowa: I will in the next few days appoint a commission, to be known as the live stock and animal food products commission, of seven members, who will have supervision of all matters pertaining to production and marketing of live stock, licensed packers, stockyards companies, live-stock exchanges, and commission houses for the sale of live stock. This commission will decide upon the ratio in bushels of corn to be paid for 100 pounds of hog at the central markets. Will appreciate your holding yourself in readiness to consult with this commission on this matter."

I will state my reason in advising the sending of this telegram to Mr. Wallace was that he was one of the factors in getting together these meetings in the West, and he is a man of reputation among the producers and a man of wide influence, and I knew it was essential that the Food Administration do something at this time to let the producers of the country understand what they could expect. [Reading:]

Your comment upon this message was that you would not place a bunch of country producers in control of the packers. I then handed you a list of names that I recommended for the commission in question, as follows:

Cotton, New York—

Mr. Cotton, I was then advised, would be appointed to the position he was later appointed to. [Reading:]

McCarthy, Wisconsin.

Pinchot, Pennsylvania.

Gage, Texas.

Burke, Nebraska.

Evvard, Iowa.

Representative of labor union, biggest brained man that can be obtained—

I did not make any suggestion, but I knew we ought to have a man of broad gauge that the labor unions of the country would feel was equal to representing their interests on this commission. [Reading:]

The interview ended without additional comment on the matter by you.

Under date of October 27 the committee created by the continuous persistency of Mr. Pinchot to have the 100 pounds of hog established in its equivalent of bushels of corn by some authorized governmental agency, made its report. The same is here referred to and made a part of this statement. Finally on November 3 Mr. Cotton advised, through the press, that the minimum price of hogs for the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog.

Mr. Requa still protested such decision, but action was forced at your hands when you were made to realize that no more evasions would answer as far as the minds of the producers of the Nation were concerned. Mr. Cotton is good enough lawyer to realize that the report last above mentioned removed every vestage of grounds for allowing hogs and hog products to longer be the speculative game of the Chicago packers.

On October 9 there appeared in a Chicago newspaper an interview with Dana Durand, an employee of the Food Administration, predicting ten-dollar hogs, when the present cost to the producers was between \$16 and \$17—

That is on the 100 pounds. [Reading:]

Naturally, demoralization followed in the hog market extending as well to all classes of beef cattle. Later you advised me that Mr. Durand made no such statement, but that Jack Cudahy, who is one of the leading packers of Chicago, had put out the interview for the purpose of breaking the hog market.

The records of the live-stock markets show that the desired result of the packers was handsomely attained, all through the interview which you stated was spuriously put out by Cudahy.

The Food Administration and the Durand-Cudahy interview sunk more ship-loads of beef and pork than all the German submarines have been able to do up to date, a loss to the whole people, that the Chicago packer might be able to garner in some millions more.

When I realize that a few days prior to the publicity mentioned, one of the large allied buyers stated to Mr. Pinchot and myself that you had requested them to stay out of the market for beef for some days, giving as a reason that you thought it would go cheaper, it is difficult to understand that the Food Administration was not in sympathy with the object sought to be attained by the Durand-Cudahy interview.

The Food Administration took no steps to make the Nation aware of the outrage against its welfare by the Chicago packer. This lack of action can not plead ignorance as an extenuating circumstance.

You have put J. P. Cotton in charge of the packing and live-stock industries, a gentleman from 14 Wall Street, New York. Within the week Mr. Cotton was in my office, I had on my desk the Chicago market reports, which showed many thousands of cattle selling below the cost of production. I called his attention to the situation; the same situation has existed with slight intermission for the past 90 days. I asked him what could be done about it, mentioned the fact which he confirmed that canned meats were now the highest on record.

He replied that he did not "know a thing about it." I concede Mr. Cotton's ignorance in all live-stock matters.

Other than transportation, there is no industry of the magnitude or such vital importance to the Nation as the live-stock industry. Still you ask that 30,000,000 people engaged on the farms of the country, every one of whom it is to the Nation's interest to make live-stock producers, to trust their all to the Chicago packer, supervised by J. P. Cotton, of 14 Wall Street, New York, a lawyer with big bank connections.

On October 20 I handed you my resignation, which read as follows:

"MY DEAR SIR: I hand you herewith my resignation from the Food Administration. I do so because I have become convinced that the policies which control it are harmful to the common welfare."

You stated, "Oh, do not believe I deserve this." I replied that if you would listen I was willing to give the reasons for my conclusions. Then followed quite a discussion, largely of the actions and relations of Mr. Requa and yourself to the Chicago packer and live-stock interests. After I stated my case in part you stated that it was true that Mr. Requa in the beginning had had great faith in the patriotism of the Chicago packer; that the Food Administration had expected to accomplish much by their loyal cooperation; that Harry A. Wheeler, United States food administrator for Illinois, had entertained similar views, but that Mr. Wheeler had within the hour left your office after expressing himself as thinking that longer temporizing with the Chicago packer would be foolish; that nothing but the strong arm would get results. You advised me that Mr. Cotton had wired you from Chicago similar opinions and that you had determined to conform the policies of the Food Administration accordingly. You expressed an appreciation of the services I had rendered and said that I could be of "great service in the future." Realizing the seriousness of the situation as to live-stock production, I did not want to "rock the boat" if there was any possibility of making a landing with craft we were in. Accepting your statements as 100 per cent truth, I withdrew my resignation.

I spent the intervening time between October 20 and November 7 at points in the Central West and Texas. I reached the offices of the Food Administration on my return, keenly alive to the importance of the feed situation as applied to cottonseed products. I at once took this matter up, found that Mr. Humphreys, of Memphis, Tenn., had been added to the administration forces. I have had large business transactions with Mr. Humphreys; knew him to be honest and capable. I was expectant of results. On the morning of the 8th I was shown an administration telegram by Mr. Humphreys, advising the United States food administration for Texas to confiscate about 20,000 tons of cake at Texas points. Telegram follows:

"NOVEMBER 9, 1917.

"E. A. PEDEN, *Houston, Tex.*:"

"Propose to seize to-day and make available stock of cake at Galveston and Port Arthur, prevented from export by President's embargo. We do not refer

to anything intended for domestic or allied shipment. Find out if cattlemen are prepared to receive such cake and pay present market price, to be later adjusted to such price as Government must pay foreign owner. Ascertain by telephone from Galveston Wharf Co. total stocks of cake meal and owners of same; then communicate owners' agents. Ascertain names of owners, quantities, and sales price. Ascertain if Galveston-Houston grinding plants will at cost, plus 50 cents per ton, convert cake as wanted, beginning operations immediately, advising them if refused will requisition plant for this operation. This telegram shown Peden, who has approved and instructs Godwin proceed.

"UNITED STATES FOOD ADMINISTRATION."

Godwin was Peden's first assistant at Houston. [Reading:]

This looked like action at last. I was asked by Mr. Humphreys and others if I could sell the cake to live-stock interests. I advised that I could. I wrote several telegrams to bring about that result:

"NOVEMBER 9, 1917.

"I. T. PRYOR, *San Antonio, Tex.*:

"The Food Administration will seize to-day about 20,000 tons cottonseed cake at Galveston. This is the initial move to bring cottonseed cake to its reasonable value. I ask you to use your influence in concentrating orders for cake on Peden, food administrator for Texas, at Houston. This cake will be available at present market price with refund later of all concessions the Government may be able to force on present holders of the cake. Request your clientele to not anticipate wants by more than 30-day requirements; there is more cake than country will use and it will sell at reasonable price later. Please give this widest publicity.

"LASATER."

At 2 o'clock in the afternoon I was advised that the telegram to the Texas United States food administrator had been changed and action on the cake delayed. I was advised that my telegrams in regard to sale of cake to be confiscated had been held up, and was asked to modify them to conform to the change in plan of the administration in regard to the confiscation of the 20,000 tons of cake. I refused to change my telegram, stating that the Food Administration could no longer use me as a "camouflage" to deceive the live-stock producer into thinking he had representation in the councils of the Food Administration. I made my resignation of the 20th of October effective by a letter of November 9, a copy of which I hereto attach.

The feed situation I had up with Mr. Requa early in September, later with Mr. Pyle, of Mr. Requa's department. I left nothing unsaid to emphasize the importance of the feed situation. Still the Food Administration refused to act while seeing what should be a moderate-price crop of cottonseed cake boosted by speculators until it is now the highest-priced cottonseed cake of record, this largely by the Chicago packer interests, who are desirous of obtaining a corner of fats, both vegetable and animal—

I will state at this time, November 9, the cottonseed mills belonging to Swift & Co. had about 10 months' supply on hand. When the orders of the Food Administration, requiring the supply to be carried to a 60 days' supply, I had never learned that Swift & Co. were ordered to disgorge that supply of cotton seed.

Mr. HAMILTON. You say that Swift & Co. own cottonseed mills?

Mr. LASATER. Oil mills for grinding of cotton seed; yes, sir; they are very large owners of cottonseed-oil mills.

Mr. HAMILTON. A separate corporation?

Mr. LASATER. No; my understanding is Swift & Co.—in different names, yes; but they own various oil mills scattered through the South and Texas. I could not give you just the style of all the mills, but that is a recognized fact.

Mr. HAMILTON. Do you know how many?

Mr. LASATER. No; I could not give you the details of that, but that can be established by the records of the Food Administration.

Mr. HAMILTON. Are other packers engaged in this business?

Mr. LASATER. Armour and Morris are. I do not know whether the others are or not.

Mr. HAMILTON. That enables them, does it, to control the price of essential feed?

Mr. LASATER. It enables them to be a very large factor in the control of the price of an essential feed; a very large factor.

Mr. STEPHENS (presiding). I suggest you bring that out in your cross-examination, Mr. Hamilton.

Mr. HAMILTON. You are quite right. The only point is this, if the Chair will permit me, Mr. Lasater is reading a letter, and what I feared was in general examination we might overlook this matter.

Mr. RAYBURN. I want to say this with reference to the control of cottonseed products: I do not think the packers are any more into that than other people. They are not any more engaged in beating down cotton seed than other people.

Mr. HAMILTON. Then, I think that ought to be developed very fully.

Mr. RAYBURN. I think that has been developed.

Mr. STEPHENS. I suggest you make a note of it and develop it in your cross-examination.

Mr. LASATER (reading):

The milk situation has for months been acute. The present high price of milk is intimately related to the price of feeds, and until speculation is removed from the feed situation the public can not expect lower-priced milk.

Remedies offered by the Food Administration, designed to better the feed situation, mention of which I observe in the newspaper, are efforts initiated after my resignation was tendered, any action by the Food Administration tending to eliminate speculation from feed products will cheapen the cost of production, thereby benefiting the whole people.

It is due you to say that the Pinchot recommendations relating to corn and hogs partially have been put into effect since Mr. Pinchot's resignation.

I congratulate the country in that the Food Administration has at last commenced to move along lines indicated.

Respectfully, yours,

ED. C. LASATER.

Now, I would like to state that I resigned finally on November 9. That evening the Food Administration started Mr. Charles McCarthy to Houston to meet with a meeting of live-stock producers and representatives of live-stock producers and representatives of cottonseed crushers. Mr. Hoover wired that same afternoon to Col. Pryor, the head of the American National Live Stock Association at that time, and others, arranging for this meeting, and that meeting did bring about a lowering of the price on cottonseed meal and cake. [Reading:]

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C. November 22, 1917.

Mr. E. C. LASATER,
1616 Twenty-second Street, Washington, D. C.

DEAR SIR: Your letter of November 12 to Mr. Hoover has been handed to me for perusal and consideration.

My first impulse was to say nothing in reply, but it seems to me necessary to review that part of your connection with the Food Administration with which I am familiar, and point out to you wherein you have, I think, failed to grasp the magnitude of the problem, the multifarious lines of effort confronting the Food Administration and the perplexing difficulties surrounding all attempts to harmonize, at least in some degree, the diametrically opposed interests with which the Food Administration has to deal.

main points in your letter. And having done that, attention to what I conceive to be your failure to grasp administration. I am sure you do not realize the forces with which the Food Administration has to deal with only one phase of it, that is the meat phase. You would never think of unless called to your attention a few of the more than five hundred different products, flour, bread; of binder twine; of ammonia; of sulfur, from the West Coast of Africa, from the West Indies; butter, cheese, milk, car shortage, glucose, cold storage, cottonseed and its products, glycerine and soap, rabbits and rats, rice and macaroni, sugar, wholesalers, retailers, and the conservation of food—but only a few of the problems which go to make up the work of the Food Administration. You came here interested in the interview you and I ever had? I do, very well.

The Food Administration should take over and operate the industry, then, as I say now, that it would be an unwise thing to do. Your antagonism to the packer was not a repetition in another form of the old struggle existing for many years—the oil producer versus the consumer and the landowner; the smelter and the miner; I now believe, that it is the function of the Food Administration—we must regulate all, as a war measure, to and only that. I am sure that a solution should be found that it is; but it is not taking possession of the industry for Government account.

Because results were not forthcoming with the same method as be possible in some small personal transaction individuals. You failed to recognize the diversity of interests of the United States, from Maine to California, and you expected right of way for your own personal other considerations. You failed to visualize the industry but focused your attention upon a single section. Possible if there was no opposing interests; with the procedure such as you contemplated was not only might easily have ended in disaster.

Administration is not an easy one. The complexities of the industry are unceasing, and a source of constant wonder to me; the industry is beautiful thought-out plans are continually met by utterly unexpected and unforeseen contingencies, and over again.

My personal opinion. I recognize your right to publish what you can not believe or grant that you have any publication in the newspapers of the country on this side or made yourself acquainted with the

M. L. REQUA.

to read my reply to Mr. Requa and

Mr. LASATER. No; that meant the price of 14 bushels of corn to 100 pounds of hogs. [Reading:]

Mr. Wilson said that he did not see how the packers could go into a guaranty of that kind unless the allies and the United States Government could assure them of a market for the products to be purchased.

You are correct when you say that I did say that I believed it unwise for anyone to undertake a guaranty of that kind unless they had some tangible guaranty upon which to base such action. Mr. Wilson, so far as I know, never had any serious intention of entering into any such program. I did not see then, nor do I see now, how anyone could undertake an unlimited guaranty of the kind you desired the packers to assume.

You are incorrect when you state that I protested the action of Mr. Cotton in advising through the press that a minimum price on hogs in the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog. I made no protests of any kind, nature, or description regarding Mr. Cotton's action.

Your reference to Mr. J. P. Cotton is evidently intended to imply that because Mr. Cotton has an office at 14 Wall Street he is unfit to have any connection with the packers' industry. Oddly enough, it happens that Mr. Cotton was at one time the attorney for Mr. Pinchot, and both you and Mr. Pinchot expressed great delight to Mr. Hoover when Mr. Cotton's appointment was announced.

I note that you approve of the appointment of Mr. Humphreys. I shall watch developments with interest to determine whether Mr. Humphreys continues in your good esteem in view of his work here. Already I see signs of wobbling; you criticize regarding the cottonseed cake in Texas, solely from the standpoint of an interested cattleman desirous of buying a product produced by another at a price lower than that citizen is at the moment selling his product for.

Had the Food Administration authority to fix prices, and had it fixed a price of \$40 for cottonseed cake early in the season, I suspect it would have your hearty support; had it fixed \$30 perhaps your enthusiastic applause. But what of the producers of cotton seed in the South? Surely you must recognize that they have rights coequal with those of the cattlemen and that we should have earned their disfavor quite as heartily by putting the cake down as we have earned yours by attempting to find a compromise platform upon which all citizens can stand with as nearly as possible equal treatment. The cottonseed matter is proceeding to the satisfaction of the residents of Texas I have reason to believe, in view of a telegram received here from Mr. Peden recently, speaking of a meeting in Houston and expressing the belief that the cottonseed crushers will accept a price of \$50 for their cake.

If this is accomplished we can seize the cake in Galveston and pay \$50 for it rather than the \$60 or \$65 we should have to pay if the market price had not been averaged by the patriotic action of the crushers in the Houston meeting—

Now, I would like to state that I had been attempting for months to bring about that same meeting and same understanding, and I made no headway until I resigned, and resigned with the intent of making the facts known to the public, and Mr. Hoover understood it. [Reading:]

Ten or fifteen dollars a ton on some thirty-odd thousand tons of cake was surely worth waiting a week for. If this cake is seized it will have to be paid for at the market price by the Government, who would have lost the money—\$450,000—

I would like to state that Mr. Humphreys's plan did not contemplate the seizure of the entire 20,000 tons. He mentions 30,000 tons here, but there never was that much; but he did contemplate ultimately seizing 20,000 tons in, we will say, from three to five thousand ton lots, as it might be needed and the ability of the Food Administration found it could be absorbed by the cattle interests. [Reading:]

You refer to the milk situation. Mr. Powell has the milk situation well in hand, I understand; prices have been agreed upon and a very much more harmonious relation brought about than could have been hoped for some weeks ago.

This, I think, covers the main points in your letter. And having done that, permit me to draw your attention to what I conceive to be your failure to grasp the problem of the Food Administration. I am sure you do not realize the many diverse and antagonistic forces with which the Food Administration has to contend. You have been engrossed with only one phase of it, that is the meat industry; you do not stop to view it as a whole and consider the other phases—some of them, perhaps, that you would never think of unless called to your attention. May I not enumerate a few of the more than five hundred different lines; the problem of wheat, flour, bread; of binder twine; of ammonia; of arsenic; of fatty oils from Manchuria, from the West Coast of Africa, from the Philippines; canned goods, butter, cheese, milk, car shortage, glucose, cold storage, corn and its products; cottonseed and its products, glycerine and soap, fertilizer, exports and imports, rabbits and rats, rice and macaroni, sugar, fruits and vegetables; wholesalers, retailers, and the conservation of food—but why elaborate? These are only a few of the problems which go to make up the great consolidated problem of the Food Administration. You came here interested in but one of them, and you are to-day, I am persuaded, still interested in but one.

Do you remember the first interview you and I ever had? I do, very well. You proposed that the Food Administration should take over and operate the packing plants; and I said then, as I say now, that it would be an unwise thing to do and an illegal thing to do. Your antagonism to the packer was not a surprise to me; it was simply a repetition in another form of the old struggle that I had recognized as existing for many years—the oil producer versus the oil refiner; the water owner and the landowner; the smelter and the miner; I did not believe, nor do I now believe, that it is the function of the Food Administration to solve this problem—we must regulate all, as a war measure, to accomplish war purposes, and only that. I am sure that a solution should be found. I believe that I know that it is; but it is not taking possession of the plants and operating them for Government account.

You were impatient because results were not forthcoming with the same facility and speed that might be possible in some small personal transaction carried on by private individuals. You failed to recognize the diversity of interests in the separate States of the United States, from Maine to California, and from Canada to Mexico, and you expected right of way for your own particular interest, regardless of other considerations. You failed to visualize the great picture as a whole, but focused your attention upon a single section. Such procedure would be feasible if there was no opposing interests; with the mass of opposing interests, procedure such as you contemplated was not only impossible but if carried out might easily have ended in disaster.

The task of the Food Administration is not an easy one. The complexities of the problem are unparalleled, unceasing, and a source of constant wonder to me; almost daily a new angle arises; beautifully thought-out plans are continually smashed into a thousand bits by utterly unexpected and unforeseen contingencies, and the work must be begun all over again.

I recognize your right to your personal opinion. I recognize your right to tender your resignation. But I can not believe or grant that you have any right to offer your criticism for publication in the newspapers of the country before you have heard the other side or made yourself acquainted with the actual conditions.

Very truly, yours,

M. L. REQUA.

Now, I would like permission to read my reply to Mr. Requa and then I think that will be sufficient on this line.

Mr. STEPHENS. Is this your answer?

Mr. LASATER. This is my answer to Mr. Requa's letter.

Mr. M. L. REQUA,

Food Administration, Washington, D. C.

DEAR SIR: Your letter, under date of November 22, in reply to my statement to Mr. Hoover, under date of November 12, reached me at Chicago November 29. Business necessities required that the intervening time be spent by me in Texas. I regret that I could not have given your communication attention sooner.

The assertion you make in your letter that Mr. Hoover could not have taken certain action without your knowledge I concede to be a fact. I can not imagine

closer cooperation than I found existing between Mr. Hoover and his first assistant during the time of my connection with the Food Administration. I desire to state here that I found among the Food Administration's forces many patriotic men and women imbued with a desire to serve the Nation. They are conspicuously absent from Mr. Hoover's cabinet.

The intent of your statement, above acknowledged, is to convey to the minds of the country the impression that I was selfish and local in my views and sought only the welfare of the live-stock producers. Addressing myself to this accusation first, I give here a part of a statement prepared by Dr. Pearl, statistician of the Food Administration, under date of September 27, 1917:

"The general principles on which the price of food commodities of all sorts should be stabilized embody the following:"

This was a memorandum handed by Dr. Pearl to Mr. Hoover.

"1. That the regulations to govern the conduct of a food producing, manufacturing, or distributing trade or industry should not be drawn up by the representatives of that trade or industry.

"2. That the amount or rate of the 'fair profit' to be allowed each trade should be determined by the Food Administration and not by the trade concerned or any representative of such trade.

"3. That the determination of profit should be stated in such clear, simple, and specific terms that, on the one hand, these profits can be plainly understood by the food producers of the country—the farmers—and the consumers, and, on the other hand, will immediately appeal to all intelligent persons as really reasonable and fair profits."

Also, memorandum presented by me to Mr. Hoover a few days subsequently, which follows.

I would like to state before reading this memorandum that I discussed the matter with Dr. Pearl. Dr. Pearl told me he had in his department the information that would enable him to apply the principle that I enunciate here:

"In arriving at prices for all manufactured goods, wages must be one of the important items considered. In arriving at any wage scale, food costs will largely decide their sufficiency.

"We have now the wheat and flour cost established by an act of Congress. Is it not desirable to correlate the price of all coarse grains to that of wheat?

"Having established these bases, to correlate as nearly as may be possible all finished animals for slaughter and dairy products with the bases above established, and having arrived at these bases for the prices, you have the price for the main staples of the food supply established. Is not this the logical method to pursue in establishing prices so that the values of all commodities may be correlated in a fairly close degree, to the end that the net returns from operation may be established for the different producing and manufacturing industries on a basis of reasonable parity?"

I want to call attention to the fact that I made, individually, and represent others who made, both meat and dairy products; and under the recommendation I made to Mr. Hoover he would have been able to have arrived at the reasonable cost. I do not contend here that the exact cost on these products would be established, because that is an impossibility; but a cost could have been established that would have done injustice to no large per cent of the producers of the country, and certainly would have done no injustice to the consumers of the country.

I now ask if the recommendations of Dr. Pearl were put into effect in the dealings of the Food Administration with the millers, the canners, the wholesale grocers, the cottonseed crushers, the sugar refiners, and the packers? If not, why not? I challenge you to produce any recommendation of mine at variance in principle with the above-given memoranda. Since our entering into the war I have at all times thought in terms of the Nation, and not solely as one of the producers of live stock. Had the principles embodied in Dr. Pearl's recommendations to Mr. Hoover, and those in the memoranda submitted by me to Mr. Hoover, been put into effect, there would to-day be no feed question, no sugar, packer, or grain-milling question perplexing the country.

The worries of the Food Administration would have been practically eliminated, because there would be no necessity of concealments. The cattle feeder and the milk producer would be commanding feed on a basis that would enable them to produce both milk and meat at a price that the consumers can afford to pay. As it is, both industries are paying the highest price for hay and protein feeds in the history of the country—this, that a few speculators might

garner in some millions of unearned dollars. The whole people would have had assurances that the intermediaries between producer and consumer were to be treated as laborers worthy of their hire and were not to be allowed to entrench themselves as exploiters of the Nation.

As to the Chicago packer, at my first interview with Mr. Hoover, and all subsequent interviews when the packer was discussed, I advocated control, not perfunctory control, but control that would absolutely insure his getting but a reasonable reward for the service he renders. Whenever you or Mr. Hoover expressed a dread of having to operate the packing plants, I always took the position that that was not the remotest of possibilities because the packer was close enough in touch with public sentiment to realize that if his recalcitrancy forced the Government to take over his plants, public sentiment would never permit of their return for his uncontrolled operation. The Food Administration seems to think it is not necessary to place the supervision in hands outside of allied interests. The supervision I think requisite is indicated by my recommendation to Mr. Hoover as given in my statement to him of November 12; a commission composed as follows: Cotton, New York; McCarthy, Wisconsin; Pinchot, Pennsylvania; Gage, Texas; Burke, Nebraska; Evvard, Iowa. Representative of labor union: Biggest brained man that can be obtained.

My judgment is that the country producer would react much more favorably if such a commission umpired the game between him and the packer than when Mr. Cotton acts alone as umpire. Mr. Cotton comes from 14 Wall Street, New York City; his clientele is the large financial interests in New York. You can not differentiate between the big packer of Chicago and the big financial interest of Chicago and New York. The unusual runs of both immature cattle and hogs would indicate that the country does not feel safe with the supervision of the packer that has been supplied.

Now, as to the motives which you attribute to Mr. Pinchot and myself, in our efforts to have a ratio fixed for hogs in terms of bushels of corn, I refer to the report of the commission appointed by the United States Food Administration to investigate the cost of producing hogs, being the same report you mentioned in your reply, and which you misquote in your vain effort to make a case against Mr. Pinchot and myself. I hereby give page 7 of said report in full, which shows that the commission appointed by the Food Administration recommends a ratio of 14.31 bushels of corn per hundred pounds of hog to secure an increase of 15 per cent over last year's production. This is the per cent of increase we had been advised to work for; the same being practically one-third of a bushel of corn more than recommended by the mass meeting of hog growers addressed by Mr. Pinchot and myself.

It might be worth while just to explain the report of this committee at this time.

Dr. Pearl was the statistician of the Food Administration; we looked to him for supplying the data that would show the country what would be needed for our future requirements, and you will find this very fully gone into in Bulletin No. 229, issued on September 22, 1917.

A memorandum attached to this bulletin was handed me by Dr. Pearl, and this memorandum is worded as follows:

"In order to bring the number of hogs in the country up to where the same relation would exist between the number of hogs and number annually slaughtered as obtained in prewar years, and allow the same rate of slaughter to supply ourselves and our allies as now exists, there should be roughly a 15 per cent increase in the number of hogs in the country."

Now, that is what Mr. Pinchot and myself were instructed by Mr. Hoover to bring about—that 15 per cent increase.

Now, on page 7 of this report which I will ask permission to introduce in full, you will find that the average cost was 11.67. This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

Average ratio of 12, this ratio represents approximate production cost.

Average ratio of 13.31 represents ratio necessary to bring production back to normal; that is, 13.31 bushels of corn for every 100 pounds of hogs; 14.31 represents ratio necessary to increase production 15 per cent above normal.

You can take any manufacturing plant, and after you get up to a certain point, if you attempt to increase above that capacity, your costs are going to increase, but, of course, you want to operate full capacity. That will apply more on farm production than it will in a manufacturing plant. Up to a cer-

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tain point, you can run a certain number of hogs economically on the farm, but when you undertake to increase the number, then you increase very much your cost in carrying those hogs, and you are much more liable to disease.

You want to remember that on my return from the West, Mr. Pinchot and myself having been instructed to work for this 15 per cent increase, we brought a communication to Mr. Hoover from certain meetings of live-stock producers in which they in mass meeting assembled hit upon the price of 14. Now, we did not state to Mr. Hoover, and I do not think they felt that that was the absolute essential, but a mass of the farmers arrived at that as being about what would be fair if you attempted to increase your number of hogs 15 per cent above normal or over the preceding year. Now, this committee of experts appointed by Mr. Hoover, when they made their report, recommended 14.3 bushels of corn, or one-third of a bushel of corn more than the farmers themselves had recommended.

TABLE I.—Average ratios arranged on the differential monthly basis.

Month.	Average ratio of 11.67 ¹ weight average based on 10 years—1907-1916, inclusive.	Average ratio of 12. ²	Average ratio of 13.3. ³	Average ratio of 14.3. ⁴
January.....	11.0	11.3	12.5	13.5
February.....	11.6	11.9	13.2	14.2
March.....	12.4	12.8	14.1	15.2
April.....	12.7	13.1	14.5	15.6
May.....	12.3	12.7	14.0	15.1
June.....	12.1	12.4	13.8	14.8
July.....	12.0	12.3	13.7	14.7
August.....	11.8	12.1	13.5	14.5
September.....	11.8	12.1	13.5	14.5
October.....	11.3	11.6	12.9	13.9
November.....	10.6	10.9	12.1	13.0
December.....	10.4	10.7	11.9	12.7
Average.....	11.67	11.99	13.31	14.31

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

² This ratio represents approximate production cost.

³ Represents ratio necessary to bring production back normal.

⁴ Represents ratio necessary to increase production 15 per cent above normal.

[United States Food Administration. Statistical Department Information Service (confidential to department heads. No news released on this except by Mr. Allen). Date, Sept. 22, 1917. Bulletin No. 229.]

THE HOG SLAUGHTER IN THE UNITED STATES.

In the following report the statistical department has endeavored to show the relation of the country's annual hog slaughter to the total number of hogs in the country and to the population, as far as available figures will allow.

In a country so wide and with so many different conditions confronting an attempt to secure reliable data, it is obvious that any analysis of the figures that are available must be more or less inaccurate. But the figures in themselves are so large that the inaccuracies need not seriously affect the results or the value of an analysis.

The hog census is based on the census returns of 1910 and the Department of Agriculture estimate since that time, and the hog slaughter on the reported slaughterings in the wholesale and packing houses of the country. Probably all slaughterings are not reported, but the amount would be so small as not to affect the total very materially and would be about the same for all periods.

The number of hogs slaughtered in wholesale and packing establishments according to the 1910 census was 63.6 per cent of the total slaughter and in retail slaughter houses and on the farms 36.4 per cent. This percentage has been comparatively constant in the past, and it is fair to assume that it continues to be under present conditions.

	1916-17	1915-16	1914-15	Average 3 prewar years.
Hogs in the United States.....	67, 453, 000	67, 766, 000	64, 618, 000	61, 830, 000
Slaughtered in packing and slaughter establishments....	41, 212, 000	39, 305, 000	34, 245, 000	33, 838, 000
Slaughtered in retail houses and on farms.....	23, 586, 000	22, 495, 000	19, 99, 000	19, 366, 000
Total slaughter in United States.....	64, 798, 000	61, 700, 000	3, 844, 000	53, 204, 000
Per cent of census number slaughtered.....	96.6	91.4	83.3	86.5
Per cent increase in slaughter over prewar average.....	21.8	16.0	1.2	.....
Per cent increase in census number over prewar average.....	9.1	9.6	4.5	.....
Number of hogs in United States per 100 population....	65.5	66.8	64.8	64.0
Number slaughtered per 100 population.....	62.9	60.8	54.0	35.1

In consideration of the above table it should be borne in mind that there was almost a nation-wide embargo on shipments of hogs in 1914-15 because of the foot-and-mouth disease, which affects the slaughter of that period as well as adds to the total number in the country the following year. So that the increase of 1915-16 is abnormal, and the comparative figure for 1916-17, which shows a decrease in total number of hogs from the previous year, should not be wholly attributed to an unusual slaughter.

It should also be borne in mind that as there is a progressive increase in the number of hogs there is a corresponding progressive increase in the slaughter.

The facts brought out in the above table are: (1) We slaughter a large proportion of the hogs in the country each year (around 90 per cent); (2) in 1916-17 we slaughtered 10 per cent more of the total hogs than in the prewar average; (3) the number of hogs per 100 population in 1916-17 is more than in the prewar average; (4) we slaughtered 7.8 hogs per 100 population in 1916-17 more than the prewar average.

The increase or decrease in the number of hogs in the country is dependent primarily on the breeding operations of the farmers, and is subject to very rapid increase if conditions are encouraging. It is possible to start with a sow, produce a little of young, and market her and them within 12 months.

There may be seasonal variations in the number of hogs in the country or variations due to abnormal market conditions, but the hog industry can quickly adjust itself.

RAYMOND PEARL.

"I here give a memoranda of instructions from Mr. Hoover in regard to what was wanted: Mr. Pinchot has this memoranda in Mr. Hoover's own handwriting:

"I want the hog producers to propose to the Food Administration that they would like to for the Food Administration to make such arrangements as will fix the price of hogs from month to month based upon the weighted average price and consumption of corn at Chicago quotation for cash corn. The weighting of the consumption and price determined by a commission appointed by the Food Administration. The price, when fixed, to be calculated in terms of bushels of corn in such a manner as to cover the cost of production and profits."

"Also telegram from Mr. Hoover to Mr. Deems, United States Food Administrator for Iowa, which clearly shows that there was intended to be the widest publicity given to our actions and not the secrecy your letter would imply."

Mr. Requa took the position, if you will recall, in his letter that Mr. Pinchot and myself by giving publicity to this situation had created dissatisfaction amongst the producers, and would make it hard for the Food Administration to satisfy them. We were instructed to go West and have public meetings with these producers and ask for a recommendation from them, so there could have been no reason for our keeping our purposes secret at all.

FOOD ADMINISTRATION,
HERBERT HOOVER'S OFFICE,
September 28.

J. F. DEEMS,
Federal Food Administrator, Burlington, Iowa:

I understand the Waterloo Fair will offer an opportunity to reach the Iowa farmer. Messrs. Pinchot and Lasater, of our office, will put themselves in communication with you and will attend; but I would like it if you would

yourself convey the following message to the Iowa farmer: I would be glad if you would present to the Iowa farmers the pressing necessity from a national and war interest of increasing our hog output and at once. Fats have become a vital issue in the world; Iowa, our banner hog-producing State, has fallen behind during the past year because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs. On the other hand we will have high prices for animal products, and in face of this national situation it must be my duty to exert my every influence through export, buying, and otherwise to maintain prices that will remunerate the producer and stimulate production. So far as I can see the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops and must be to the producers' interests. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies.

This is, indeed, a dangerous course, for they are our first line of defense, and must be fed; and, again, this is a matter of common humanity, for fats are critical to human life. I am therefore depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs and to increase the herd in every direction. While I willingly pledge myself to leave no stone unturned to maintain profitable returns, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war, and that every farmer should take up the national burden with the zeal that my native State had shown in every national cause. It is up to Iowa to lead.

HERBERT HOOVER.

As to the "eat crow" episode, if you will compare the statement in question, it is dated August 7, 1917, you will find that it did not go out "in modified form," but was incorporated in joint statement of Food Administration and Department of Agriculture issued August 22, practically word for word.

Far from showing any disposition on my part to have the Food Administration "eat crow," I questioned whether Mr. Requa could have backed away from an unfortunate mistake more diplomatically.

When your duplicity and deceit can be shown by the records of the Food Administration, I feel that it would be a superfluity for me to correctly brand the several instances in your letter of November 22, in which you take issue with facts related in my statement to Mr. Hoover.

Yours, truly,

ED. C. LASATER.

Now, Mr. Chairman, I have filed with you here this national plan for live-stock production that was issued and recommended to the country both by the Department of Agriculture and the Food Administration.

Mr. DEWALT. Mr. Chairman, may I be permitted to interrupt a moment just at this point? While this recital and the reading of this correspondence, which is affirmation on the one side and denial on the other, may be very interesting, and possibly instructive, nevertheless, it strikes me, from what I have heard during the last two days, that it would be largely ruled to be incompetent, irrelevant, and immaterial for several reasons that are quite apparent to my mind and not necessary to repeat. Now, what I would like to ask Mr. Lasater is just this: Do you, by your statement here made and by the reading of this correspondence which, as I say, is affirmation on your part and denial on the other, so far as the Food Administration is concerned, intend to charge directly that there has been collusion between the Food Administration and these packers? If so, then I think, as a member of this committee, I should request you to make that charge.

Further, do you say that there was collusion between these parties, to wit, the packers and the Food Administration, in derogation of the rights and interests of the producers and consumers; and, if so, I think you ought to make that charge, not by innuendo, not by the reading of correspondence that you have given to Mr. Requa and to Mr. Hoover, and their denial of what you assert, but by direct charge, and then confine yourself to the proof which will substantiate that charge, and then these parties ought to have the opportunity to either deny or in some way refute that charge if they desire.

Now, it strikes me, Mr. Chairman, that we are wasting a great deal of time here and not meeting the point at all. This is largely innuendo; and while Mr. Lasater, I have no doubt, is firm in his belief and is entirely honest and sincere in it, it strikes me that if he has a charge to make against the Food Administration, it ought to be a direct charge, substantively stated.

Mr. LASATER. I will state——

Mr. SANDERS (interposing). Had you concluded your question, Judge Dewalt?

Mr. DEWALT. I have.

Mr. LASATER. I want to make this statement——

Mr. DEWALT (interposing). Well, one other thing. We are investigating here the conduct of the packers. Correlatively it might be that the conduct of the Food Administration with reference to the packers would be relevant and material, but the main thing we have to consider at this time is the conduct of these packers in reference to this particular matter, so far as producers and consumers are concerned. Now I have finished, Gov. Sanders.

Mr. SANDERS. I wish to make this statement: That for one I have been very much interested in the testimony of Mr. Lasater. I am not at all concerned whether Mr. Lasater makes a direct charge or not. I want Mr. Lasater, as a witness before this committee, to submit all the facts in his possession, and from these facts we, the committee, will be entitled to make a charge should we conclude we are justified in so doing. Let us hear his facts and we will decide what to do.

Mr. DEWALT. I agree with you, but——

Mr. SANDERS (continuing). For instance, if Mr. Edward C. Lasater were to get up here and make a statement to this committee something like this: I charge that there was collusion between the Food Administration and the packers, I would dismiss it that way. [Illustrating by a snap of the fingers.] That would be his opinion. I want Mr. Lasater to produce all the facts in his possession and then let us, as a committee, draw our conclusion as to what those facts indicate.

Mr. DEWALT. I agree with you, Gov. Sanders, as to that, but——

Mr. SANDERS (interposing). I do not want Mr. Lasater to make a charge—that is, of course, unless he is willing to make it; I want him to produce all the facts he has in his possession, and then it will be up to us, as a committee sitting as a jury, to decide what those facts warrant us in doing.

Mr. SWEET. I think Gov. Sanders is right.

Mr. SANDERS. It is not a question of preferring a charge, but of presenting the facts, and it is a question for us as a committee to

pass upon the facts. This is about the only evidence I have heard at all on this subject in this committee, and I have been here almost all the time, it is the only evidence I have heard at all that is illuminating on this bill.

Mr. DEWALT. I agree with you in part, Gov. Sanders, and I do not desire to continue the discussion except as to this, and on that I will maintain my position: That the inferential charge made by the reading of letters from one party to another, and the confirmation by one party and denial by another, has no more influence in my mind in arriving at a concrete conclusion than if I had never heard it at all.

Mr. SANDERS. I disagree with you, Judge Dewalt. You can not prove conspiracy of any kind or description except by disconnected facts which, when connected up, prove the conspiracy, because the parties themselves will never admit it.

Mr. STEPHENS (in the chair). You may proceed, Mr. Lasater.

Mr. LASATER. May I explain why I think it worth while? I know that the reading of all these letters has been tedious to the committee, and I certainly do not want to weary the committee, but——

Mr. SANDERS (interposing). It has not been tedious to me.

Mr. SWEET. Nor to me. We are sitting here to get all the information, all the facts, which will tend to illuminate this subject, and put us in a position to know how to intelligently act on the bill before us.

Mr. LASATER. I think it would be worth while, because I think it would give you gentlemen some knowledge of what opportunities I have had to get the facts.

Now, gentlemen of the committee, I have finished with that part of the testimony as I had planned to present it to you. I have said to you——

Mr. SANDERS (interposing). Have you finished reading your reply to Mr. Requa?

Mr. LASATER. Yes, sir; I have finished that. I filed with you the personnel of a certain committee styled the United States Live Stock Industry Committee, created jointly by the Food Administration and the Department of Agriculture. Now, I——

Mr. HAMILTON (interposing). May I interrupt you long enough to ask you by whom those letters were printed?

Mr. LASATER. I had this pamphlet printed.

Mr. HAMILTON. That is your printing?

Mr. LASATER. Yes, sir; I had that printed. And I had certain other data printed that I have here to furnish to the membership of the American National Live Stock Association.

Mr. STEPHENS (in the chair). Mr. Lasater, proceed just in the manner you have outlined for a presentation of your facts.

Mr. LASATER. At a meeting of the United States Live Stock Industry Committee, called together by the two departments I have mentioned—and my recollection is that the meeting took place on the 5th, 6th, and 7th of September, 1917—a subcommittee was appointed. Later on, September 18, 1917, the subcommittee of this committee was called together by Mr. Hoover, and met in my office at the Food Administration, which subcommittee made the following recommendations to Mr. Hoover, as follows:

Report to Mr. Hoover by certain members of the Live Stock Industry Committee, September 18, 1917.

The undersigned members of the Live Stock Industry Committee, having been called to the office of the Food Administration, and having been asked to consider the suggested terms for licensing the packers, and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide:

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand; the number, weight, the kinds of live stock slaughtered; the sales of meats and animal products; the prices paid for the live stock, and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government, and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitation of packers' profits to a reasonable amount, based on nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit, and no more. Such fair profits we believe will be satisfactory to the producers and to the consumers.

Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock, and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

(a) By Government control of exports from the United States.

(b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.

(c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as these make necessary something more than the mere licensing of packers; and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

1. The Food Administration should see to it that all meats and animal products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential; bearing in mind that no great increase

in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

2. Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must therefore come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies, we believe it would be possible to increase the supply of fattened cattle by making contracts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to be in during the next three months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

3. Hogs are finished for market at from 6 to 12 months of age. In the corn-belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past six to nine months the relation between the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs, and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six months must come either from the further marketing of brood sows (which would tend to reduce the pig crop next spring), or from feeding the existing crop of shoats to heavier weights than is usually found profitable. An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs to be marketed during the next six months. The number of hogs to be marketed during that period can not be increased, but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

During the next five months the price of hogs at the central markets should under no circumstances be permitted to go below the cost of production as measured in the value of the corn feed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs when fattened for market shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing the following are suggested:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit. Said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential, and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets, including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers, and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consumer centers of public retail markets operated by the Government, or by private agencies under

public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies, the foregoing recommendations may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that such assurance is needed if production is to be stimulated to the extent the Food Administration thinks necessary. If the prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

Memorandum for Mr. Hoover, August 20, 1917.

As we understand it, the problems presented to us as members of the joint committee on live stock of the United States Department of Agriculture and the Food Administration are briefly as follows:

1. To stimulate the production of live stock by growers, mainly by furnishing improved credit and a stabilized market.

2. To stimulate the saving or growing of live stock by utilizing unused or partly used supplies of forage; by transferring starving live stock; and by increasing the sheep east of the range country.

3. To eliminate wastes and losses by reducing trade wastes, destroying predatory animals, and reducing losses from preventable diseases, parasites, and poisons.

4. To stimulate the breeding of dairy cattle.

5. To save waste and reduce cost by conserving animal products in the region between the shearing pens and stockyards, on the one side, and the consumer, on the other.

More specifically, the first task is to produce confidence in their future markets on the part of the live-stock growers.

Second. To save the cattle now starving in the southwest.

Third. To save the present crop of heifer calves, ewe lambs, and young sows, so far as the individual will pay to raise.

Fourth. To take steps toward reducing the retail price of meat to the consumer.

(Signed)

ED. C. LASATER.
GIFFORD PINCHOT.

Memorandum for Mr. Hoover, October 21, 1918.

In order to promote the efficiency of the Division of Live Stock and Farming we submit the following:

1. We understand that the work of the Division of Live Stock and Farming includes all questions relating to live stock not covered by Mr. Cotton's division, and includes increase of live-stock production (in cooperation with the United States Department of Agriculture) and all relations with farmers not specifically covered by other divisions of the Food Administration.

2. We understand that Mr. Cotton's division has charge of all relations with packers, live-stock exchanges, commission men, stockyards, and the interests of the shippers at the stockyards.

3. In order to do our work with effectiveness we believe it is essential:

(a) That all information acquired by the Food Administration as to quantities of meat products needed for export and home consumption and the prices of same should be available to us.

(b) That all information acquired by the Food Administration in regard to supplies and prices of foodstuffs throughout the United States should be available to us.

(c) That action taken by the Food Administration within the limits of our duties should be taken only after notification and consultation with us.

(d) That we should be kept fully informed of information secured and action taken by Mr. Cotton's division and other divisions in matters affecting the live-stock producing and farming interests.

4. That the heads of the Live Stock and Farming Divisions should be entitled to sit in all conferences where questions affecting live-stock production

or supply, animal food-product consumption, or farming interests not specifically covered by other divisions are discussed and policies determined, and in the general conferences at which the heads of the other divisions are present.

(Signed)

ED. C. LASATER.
GIFFORD PINCHOT.

Resolutions passed by the American National Live Stock Association in annual convention assembled at Salt Lake City January 14, 15, and 16, 1918.

RESOLUTION No. 1.

We affirm our confidence in the Commander of our Armies and the maker of public sentiment for the allied world, President Wilson. We believe that every interest should be subservient to the Nation's business in hand, which is to win this war. We pledge our President our wholehearted support in any efforts or policies he may deem necessary to win this war: Therefore be it

Resolved, That we approve of the concentration of power in the hands of efficient agencies for the purpose of developing and mobilizing the Nation's man power, the Nation's productive power, the Nation's industrial power, so that from the maximum development of all these agencies an economic policy proportioned, fair, and just to the whole people may become the nation's policy.

We ask that in the delegation of the unusual powers to the various agencies necessary for the accomplishment of the above purposes that consideration be given to the necessity of safeguarding the industrial freedom of our people when peace shall have been restored to the world.

RESOLUTION No. 2.

It is the sense of this convention that the result of the world war now being waged by Prussianism against the rights of man will be decided by the ability of our Nation to adequately furnish food supplies for our allies: Now, therefore, be it

Resolved, That we urge our membership and the ranchmen and farmers of the Nation to produce this season feeds, foodstuffs, and animals fitted for slaughter to their maximum capacity.

We realize that at the present time the market situation for our live-stock and dairy products is bad; but looking at the world situation, it is plain that we can not serve our children and humanity better than by hazarding our economic life at this time of democracy's peril. A willingness to sacrifice does not imply a lack of determination to demand and work for justice at the Nation's hand. When once the situation of the food producers of the Nation is understood by the people, we are firm in our conviction that the profiteers will receive their just dues, and that justice will be done to the producers of the Nation, in that their products will be taken at cost of production plus a reasonable profit.

We voice the opinion that a reasonable rate or profit shall not be less than the producer is charged on his long-time mortgage loans and for short-time accommodations from his local bank or merchant.

We ask the producers of our Nation's food supply to be true to our country's welfare and to our boys in the trenches.

It is safe to rest our cause upon the honesty of the American people.

RESOLUTION No. 3.

Resolved, That we approve the action of the Federal Trade Commission in having public hearings to ascertain facts connected with the packing industry and the various industries control of which has been acquired by the large packers.

We think it vital to the Nation that the public be made aware of the extent of control over the various industries having to do with food production and distribution now possessed by the packers and the means employed in the acquisition of such control.

We earnestly urge the Federal Trade Commission to make its report on the live-stock and packing industries at as early date as a thorough investigation of these industries will permit.

We realize that the consuming public must be made to know the facts as to the market conditions obtaining in the live-stock industry if this most vital industry is to be saved. These facts can only be placed before the public in a way to command credence by a national agency such as the Federal Trade Commission.

RESOLUTION No. 4.

Resolved, That it is the sense of this convention that if the farmers and live-stock producers are to perform their full duties to the Nation it is essential that their local organizations be federated into one national body, so that they may be able to command a fair consideration of their recommendation, to the end that the consuming and producing classes be freed from exploitation.

RESOLUTION No. 4-A.

Whereas there exists to-day an increasing need for increased production of meats; and

Whereas such increase can best be accomplished through the intelligence and experience of those whose business it is and has been for years past to produce live stock; and

Whereas the American National Live Stock Association is composed of men so qualified, and it is our conviction that this increase can be most effectively brought about by a competent committee of this association: Therefore be it

Resolved, That the market committee be extended to include seven members, and that the scope of its duties be extended to include permanent representation in Washington during the term of the present war, which shall cooperate with the Food Administration and other legislative and administrative bodies of the Government, both in the interest of increased production and the general welfare of the live-stock producer, promoting the aims and objects of this association and carrying out such instructions as may be received from the executive committee from time to time.

RESOLUTION No. 5.

Resolved by the American National Live Stock Association, in convention assembled at Salt Lake City, Utah, January 14-16, 1918, That the following general statement, together with the first four resolutions adopted by this convention, be presented personally to the President of the United States, the chairman of the Committee on Agriculture of the United States Senate, the chairman of the Committee on Agriculture of the House of Representatives, and the United States Food Administrator, such presentation to be made in person by the officers of this association or a member or members of the market committee.

The democracies of the world are to-day fighting to maintain their political independence and to secure for their children freedom from Prussian domination. The danger of food shortage in America for the supplying of our allies is threatening success in the war. For this reason we deem it the part of good citizenship to call your attention to certain essential facts:

While for the past 20 years the increase of live stock for meat purposes in the United States has not kept pace with the increase of population, we believe there has been in the years just gone the greatest sacrifice of breeding stock which has occurred in any one of the past 20 years.

17,552,566 cattle passed through the live-stock centers in 1916, while in 1917 no less than 22,239,628 passed through the same stockyards. Of the increased number of cattle slaughtered about 3,000,000 head were made up of immature steers and young cows.

The feed shortage resulting from unprecedented drought over a large area of the Nation was such as to require a heavy slaughtering of the calf crop in order that there might be a greater probability of saving the lives of the mother cows. This makes inevitable a short yearling crop for 1918. The severity of the winter storms in the Northwest also tended to bring about the same result. As a consequence of the impoverished condition of the mother cow it is inevitable that they will produce a greatly reduced crop of calves in 1918. Thus the feed conditions of 1917 will affect the yearling crop of 1919. Notwithstanding the conditions above mentioned the past six months have seen hundreds of thousands of young and immature cattle slaughtered, returning to their owners less than cost of production. This slaughter of immature steers and young cows

has cut into the beef supply of the immediate future as well as into the foundation for the production of years to come.

Many beef cattle being marketed at the present time are showing losses to owners. Since 1914 two of the three crops of beef marketed have returned a loss to the feeders of beef. This, when we have a world at war, and every part of the animal being paid for at the highest price to the consumer in the history of the country. In spite of the results to the producer the interests that handle the products from our cattle have shown for these same years enormous profits. This fact, we think, will be made clear by the report of the Federal Trade Commission on the packing industry, a report which we venture to hope will shortly be made public.

The dairy farmer has fared no better economically than his meat-producing brother. In addition to his economic losses, when organizing for the purpose of securing a fair price for his product, he has been threatened with wholesale prosecution, and in some instances indicted under the antitrust law. Events of 1917 will long be remembered by the dairy farmers of America.

Farm labor is the most poorly paid labor of any of the basic industries. The proportion that the producer receives of what the consumer pays for the products of the farm is insufficient to permit the farmer to compete in wages with the transportation, merchandising, and manufacturing industries. Those whose part it is to produce are unable, by reason of scarcity of labor, high interest and difficulties of distribution, to increase the output of farm and ranch and stand helpless in face of impending food shortage. Is not this a matter of national concern?

The producers of the Nation are looking to Washington for leadership, national in its scope and just to all, to remedy this situation.

[The Appeal.]

THE PORK CALL OF THE NATION.

Introductory note.—America and America's allies are pleading for more meat, particularly fats, and look to the swine producers of America, especially of the corn belt, the greatest swine production section of the world, to produce enough pork and fats so as to avoid predicted shortage.

The willingness to answer this call is evident, and swine men everywhere are anxious to respond quickly and effectively on a good substantial basis.

The pork shortage situation is drifting into a near critical stage, and definite, immediate action which is protective and stimulatory is most imperative.

The situation demands that forward looking, liberty loving hog producers join vigorously in the chorus of virile voices that call for action—action unmistakable as expressed in the democratic appeal to the Food Administrator, which is herewith presented.—J. M. E.

WATERLOO, IOWA, October 3, 1917.

HON. HERBERT HOOVER,

United States Food Administrator, Washington, D. C.

We, representatives of swine growers of the corn belt, in convention assembled at Waterloo, Iowa, this 3d day of October, 1917, do hereby respectfully make the following recommendations, which we consider vital to the early stimulation of pork production so essential to the successful conduct and termination of the present war:

First. We indorse the report made by certain members of the live-stock industry committee to you on September 18, 1917, and respectfully urge that prompt consideration be given same, followed by definite action.

Second. Notwithstanding the high price of hogs during the past six months, the still higher price of grains has made it unprofitable to feed corn to hogs, and has caused the premature marketing of a large number of breeding sows, and immature stock, thereby greatly reducing the prospective meat supply. The crop of pigs this year is at least from 10 to 20 per cent less than last year. The crop of pigs this fall is very far below normal. The unsatisfactory experience of hog growers this past season has tended to discourage an increase in the number of sows bred.

Third. It is our opinion that no considerable increase in the number of hogs next year can be hoped for unless hog growers are assured that when their

hogs are finished for market they will sell for enough to fully cover the cost of production and yield a fair profit; in other words, that hog prices shall meet President Wilson's definition of a just price.

Fourth. We are informed by the Food Administration that there exists a vital necessity, not merely for the maintenance of normal hog production, but for an increase of 15 per cent above the normal during the coming year. There is at present a deficit in hogs in the United States, as compared with last year, of not less than 10 per cent; the present tendency, unless checked, promises a further decrease of at least an equal percentage by the new year. Immediate action is therefore necessary to meet the actual decrease, check the prospective decline and stimulate the vitally needed 15 per cent increased production, accordingly we urge upon the Food Administration that it shall make such arrangements as will assure to the producer, now called upon largely to increase his product, a price sufficient to cover the cost of production and a reasonable profit, this being the one way in which this increase can be secured.

We therefore propose that the Food Administration, through an appointed commission of experienced men, shall ascertain the cost of production of hogs (which production cost shall cover the grain and other feeds consumed, labor, interest, shelter, and particularly the risk from disease and death), these costs to be measured in bushels of corn. Therefore we urge the Food Administration to establish the price of hogs, same to be based on the Chicago market price for cash corn during the months in which it was consumed, this price to be established monthly, or preferably on the weekly basis, in advance at the principal market centers.

To stimulate the much-increased production appealed for, we most earnestly emphasize that the equivalent value of 100 pounds average live hog in Chicago be equal to not less than the value of 14 bushels of cash corn as fed during the months previous to market. This ratio is necessary and essential to secure the much-above-normal pork production so urgently asked for by the Food Administration.

Although we believe in normal times that the general law of supply and demand should rule, yet in these emergency days the results from the normal working of such natural economic laws come too slowly to meet the situation of scarcity of pork products. We understand that the prime reason for establishing a minimum ratio of 14 to 1 is to stimulate production at the earliest possible moment by encouraging our people to breed their swine for spring farrow. The ratio therefore should apply to next spring's 1917 crop, and should be applied beginning August 1, 1918, when the crop starts coming to market, at the age of 6 months and over. Therefore we further doubly emphasize that the minimum ratio be established at once, and be given the widest possible publicity before November 1, at which time the breeding season is opened.

We believe that the only practical means of securing an increased amount of meats, particularly fats, for this winter will be for the Food Administration to put into effect a system of differentials by which a liberal premium will be paid on finished hogs over 225 pounds in weight, sufficient to cover the increased cost and risk of production of this added weight.

To command the confidence and immediate support of the swine producers immediate, definite, and certain action is most imperative.

A. SYKES, *Ida Grove, Iowa.*
CHAS. L. MEHARRY, *Attica, Ind.*
C. V. GREGORY, *Chicago, Ill.*
F. E. DRURY, *Jacksonville, Ill.*
E. L. BURKE, *Omaha, Nebr.*
GORDON HAYES, *Red Oak, Iowa.*
JOHN M. EVVARD, *Ames, Iowa, Chairman.*

IOWA STATE COLLEGE,
AGRICULTURAL EXPERIMENT STATION,
Ames, Iowa, December 24, 1917.

To whom it may concern:

Mr. Gifford Pinchot, in a letter addressed to me December 19, 1917, may be quoted as follows:

"Would you mind writing me a letter giving your own recollections of what took place about the 14-to-1 ratio, and any other comments which may occur to you? However, please write me whatever you remember to be the facts. Also, did I do any harm?"

The facts therefore I am stating as follows:

First. The ratio of 14 to 1, which was suggested to the Hon. Herbert Hoover, United States Food Administrator, Washington, D. C., by the representative swine growers of the corn belt, in convention assembled at Waterloo, Iowa, the 3d day of October, 1917, was definitely suggested as a ratio which would stimulate production 15 per cent above normal. That there may be no misunderstanding as to what this ratio represented I inclose herewith a copy of the Waterloo Appeal.

This ratio in no way represented the cost of production, but strictly represented what was necessary for stimulation in the opinion of these swine men.

Second. The swine commission appointed by Mr. Hoover practically agreed with the representative swine growers, which assembled at Waterloo the 3d of October, 1917. This commission reported as follows:

"The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

"While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

"The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent of 13.3 bushels of corn for 100 pounds of average hog.

"We further believe that the equivalent of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal."

The documentary evidence for this is submitted in the official report of the commission, a copy of which is attached herewith.

Third. Mr. Gifford Pinchot did not suggest a ratio of 14 to 1. Mr. Pinchot and Mr. Lasater at Waterloo simply asked the swine growers to tell the Food Administration what was necessary to stimulate pork production; in truth, to make a general report covering the essential necessities indispensable to the pork-producing business under the emergency war conditions. All this is clearly set forth, however, in the Waterloo report attached, which gives the conditions and remedies. We understood at Waterloo that the Food Administration wished an increase of 15 per cent in pork production above the normal.

Fourth. Mr. Gifford Pinchot at Waterloo openly opposed before this committee a ratio of 14 to 1. He wanted to know if a lower ratio would not do the business. He was dealing, however, with men that are firm in their conviction; and these men emphasized that a 15 per cent increase above normal could not be assured unless the ratio was made 14 to 1. They felt that a ratio of less than 14 to 1 introduced uncertainty. The swine commission appointed by Mr. Hoover went on record with an even larger ratio, namely, 14.3 to 1.

Fifth. I do not believe that the Waterloo report has done any harm; in truth, I feel quite sure it has done considerable good. The definite statement of policy of Mr. Joseph P. Cotton, of the Food Administration—said statement being based on the report of the swine commission—coupled with the reports of the swine commission, have done much to create confidence and to stimulate pork production.

Sixth. The Waterloo report was made by a man who has had many, many years of practical experience in swine production, which in itself means that it was carefully made. As chairman of this committee, I used my influence for a lower ratio, as did Mr. Pinchot, with the result that the ratio was lowered to 14 to 1. In truth, this was somewhat below the average of the opinions of the committee. All the men on this committee are patriotic, and I do not believe they had any idea whatsoever of profiteering in their minds. While some of them said that they would increase production themselves on a little lower ratio, yet they did not feel that their neighbors and their neighbors' neighbors throughout the corn belt would do so. Even in normal times a ratio of 14 to 1 has been quite common.

Seventh. The Waterloo committee were particularly pleased with the attitude of Mr. Pinchot, and in his absence they expressed appreciation among one another of the whole-hearted way in which Mr. Pinchot fought for the interests of the Nation.

They felt that Mr. Pinchot would have been particularly delighted with a ratio of 12 to 1, or even 11 to 1, if such a ratio would have worked, but this committee of practical men could not sacrifice their convictions, because the making of such a low ratio was certainly not in accordance with their patriotic judgment. The committee felt that no personal favor should be shown, not even to Mr. Pinchot, but that cold, hard facts should reign supreme regardless of whose feelings might be touched.

The above are the facts, straightforwardly presented.

Very truly, yours,

J. W. EVVARD,
Assistant Chief in Animal Industry.

[Wallace's Farmer.]

DES MOINES, IOWA, *December 11, 1917.*

Hon. GIFFORD PINCHOT,
1617 Rhode Island Avenue, Washington, D. C.

DEAR MR. PINCHOT: I have recently had an opportunity to read a letter written to Mr. Hoover by Mr. E. C. Lasater, under date of November 12, 1917, and the reply received by Mr. Lasater from the Food Administration, by M. L. Requa.

The contents of these letters have been very disquieting to me, revealing, as they do, a mental attitude on the part of Mr. Hoover and Mr. Requa which seems to be very antagonistic toward meat producers; and what is much more serious, an attitude which, if it becomes generally known, will tend still further to shake the confidence of both meat producers and grain farmers in the Food Administration, and therefore result in decreased production, to the serious jeopardy of our national and international interests.

I am not, of course, familiar with the relations between yourself and Mr. Lasater and the chiefs of the Food Administration. I can find in Mr. Lasater's letter, however, an explanation of some of the things which heretofore I have been unable to understand. And from Mr. Requa's letter it is perfectly evident that neither he nor Mr. Hoover has been able to understand the conditions which affect food production; nor, apparently, are they able to understand the peril with which we are confronted.

I am particularly interested in what Mr. Requa says concerning the recommendations made by various swine breeders and other stockmen who met at Waterloo, Kansas City, and Omaha. You will remember that when you first telegraphed me on September 25, asking me, as chairman of the hog committee, to call a meeting at Waterloo, I replied that I did not wish to call such a meeting; that I regarded it as a waste of time and money; that Mr. Hoover was then as fully informed as he could be concerning the cost of hog production; and that, if the emergency justified, he should adopt a constructive policy without further delay.

You replied to this, again strongly urging that I should call such a meeting, and rejoined that any increase in the production of hogs was hopeless unless Mr. Hoover was prepared to act promptly, and that in the absence of such action further meetings would do more harm than good. Then I received your third telegram, dated September 30, in which you stated that by Mr. Hoover's authority you and Mr. Lasater requested me as chairman of the hog committee to call a meeting of representative hog growers at Waterloo, and added that you were then on your way out here.

I immediately sent telegrams to some 75 of the most level-headed hog producers in this part of the corn belt.

When you arrived at Des Moines you showed me a letter in Mr. Hoover's own handwriting, indicating the cost or action he hoped the meeting would take. When I saw this all of my doubts as to the advisability of the meeting vanished, and I heartily agreed with you that it was well it should be held.

We went to Waterloo, and the next day found between 60 and 70 of the broadest-minded hog producers in this part of the country. The situation was explained to them carefully and a committee was appointed to draw up resolutions which would express the sense of those present. This committee went into session, and while it was preparing the resolutions you went to the dairy show, which was being held some miles away, to make a talk, returning but a very short time before the committee made its report.

I know of my own knowledge that Mr. Requa's assumption that you influenced the committee to suggest that hog prices be established on the basis of the value of 14 bushels of corn to 100 pounds of hog is entirely without reason. I remember very distinctly that when you and I were talking it over after the meeting adjourned, both of us expressed surprise that the combined judgment of the exceptionally strong men who formed the committee was to the effect that such a ratio would be necessary to bring about the increase in production asked for by the Food Administration.

I had nothing whatever to say to the members of the committee on this matter of ratio; and while, of course, I am not familiar with any conversation which you may have had, I am fully satisfied in my own mind, from the conversations you and I had about it, that you exercised no influence to persuade them to bring in such a report.

The report of the committee speaks for itself. I look upon it as a most able presentation of the situation at that time; and it clearly reflects the sober judgment of level-headed men who are exceptionally familiar with hog production in the corn belt.

Mr. Requa suggests that this report was not regarded in the light of a confidential report to Mr. Hoover. Certainly it could not be in the nature of a confidential report. It was a large meeting, attended by representatives from six or seven different States, and there was no suggestion that it was to be a secret meeting, or that its proceedings should be regarded as confidential. On the contrary, every effort was made to impress upon those present the necessity for increased hog production, and to lay upon them the duty of going to their respective homes and spreading this information as widely as possible, to the end that such increased production might be stimulated.

The hopelessness of the situation is reflected in Mr. Requa's statement that there was no justification for such a ratio, and that it was "so far as I know, not founded on any careful investigation. There is ample statistical proof to indicate its errors, and I have always believed this figure to be purely arbitrary, etc.

It is perfectly evident that if Mr. Requa read the report of this Waterloo committee he read it very hurriedly, or is unable to understand its spirit. There is no suggestion in the report, nor in any interpretation which has been put upon it except his own—that the ratio of 14 to 1 represents the cost of production. Quite the contrary. It was given as a ratio which, in the opinion of those experienced men, would be necessary to bring about the greatly increased production which the Food Administration had urged.

Mr. Requa says further in his letter. "The proof of all this lies in the fact that when Mr. Hoover did summon a committee of experienced men they did not bear out the 14 to 1 ratio, but recommended 12, and under certain circumstances 13 to 1." This is all the more discouraging, because Mr. Requa clearly misstates the facts. The committee of experienced men to which he refers not only bore out the 14 to 1 ratio, but increased it. They recommended that a ratio of 11.67 to 1 was necessary to cover the cost of production; that to bring swine production back to normal it would require at least a ratio of 13.3 to 1, and that to increase production by as much as 15 per cent above normal, it would require a ratio of at least 14.3 to 1. In other words, the more carefully selected committee, which met at Chicago, the report of which the Food Administration accepted and has acted upon, in part, and has published, suggested a higher ratio than the Waterloo committee which Mr. Requa criticises so unjustly.

It is a matter of most intense and most disagreeable surprise to me that such an important member of the Food Administration as Mr. Requa, should so misinterpret the action at Waterloo, and so unjustly criticise the part which you had in this action, and should further so misrepresent the action of the committee of experienced men which met in Chicago. It would make it very difficult for me to give full credit to what Mr. Requa may say on other matters.

Mr. Requa charges Mr. Lasater with failure to grasp the magnitude of the work of the Food Administration and the perplexing problems which surround it. From the letters which I have seen and from long experience, I fear that if the Food Administration fails it will be because of the unwillingness of those high in authority to give consideration to the judgment of practical men who are thoroughly familiar with actual conditions.

I think I understand the feelings of yourself and Mr. Lasater at the ungracious reception which your sincere and patriotic efforts have met. I wish

to express my very great admiration for the spirit in which both of you have acted. You displayed at Chicago a charity and patriotism which might well be emulated by some of those with whom you have tried to work.

As I said to you the last time we met, I am very fearful of the future. I am fearful that within 18 months we may experience a real famine in food-stuffs—a condition which might have been averted by wise action on the part of those in authority in our Food Administration and our Department of Agriculture.

Very truly,

HENRY C. WALLACE.

Personal.]

AMERICAN NATIONAL LIVE STOCK ASSOCIATION,
Denver, Colo., December 12, 1917.

HON. HERBERT HOOVER,

United States Food Administrator, Washington, D. C.

DEAR MR. HOOVER: At a meeting of some of the officers and members of the executive committee of this association, in Chicago, on December 4, the letter from E. C. Lasater to you under date of November 12, 1917, and the reply of Mr. Requa of November 23, 1917, were read.

The latter communication contains the insinuation that Mr. Lasater, in his work with the Food Administration, was actuated by a selfish purpose and was seeking to gain an unfair advantage either for himself or for our industry.

Such an imputation is most unjust and we can not permit it to pass unnoticed.

We highly regard Mr. Lasater's ability; we greatly admire him for his intense patriotism, for his unselfish devotion, and for the personal sacrifices he made to help our country in its struggle to maintain our ideas of civilization; and we deplore that the purity of his motives has been impunged. His departure from your force is a matter of keen regret to us, for we recognize his especial fitness to aid in the solution of the many live stock and agricultural problems confronting the Food Administration.

Yours, respectfully,

I. T. PEYOR,

President.

T. W. TOMLINSON,

Secretary.

MR. LASATER. While I present the whole report, I wish to direct your attention to a particular clause just at this point:

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agencies under public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal-food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

MR. ESCH. What is the date of that recommendation to the Food Administrator?

MR. LASATER. September 18, 1917.

MR. ESCH. We were then at war?

MR. LASATER. Yes, sir; we were then at war.

MR. ESCH. That was in anticipation of war conditions?

MR. LASATER. We had war conditions then, and we were anticipating eliminating all possible——

MR. ESCH (interposing). This was not a peace program?

MR. LASATER. No, sir; that was not a peace program. The country was at war, and it was a war program.

I notice that some of the members of the committee have been very much interested in the consumers, and I think that is entirely right; but what I wanted to show to the committee was that this bunch of producers were carrying the interests of the consumers of the

country in mind as well as their own at the time they were making these recommendations to the Food Administration.

Now, the probabilities are that I will be asked and while I have this pamphlet in hand I am going to state to the committee: What the live-stock interests sought and asked for was a return on production at the hands of Government agencies. In this connection I will specially call the attention of the committee to a part of resolution No. 2, adopted at the annual convention of the American National Live Stock Association, held in Salt Lake, in 1918:

We voice the opinion that a reasonable rate or profit shall not be less than the producer is charged on his long-time mortgage loans and for short-time accommodations from his local bank or merchant.

Now, Mr. Chairman and gentlemen of the committee, I would like to relate what took place between the representatives of the live-stock producers and Mr. Cotton, representing the Food Administration, in Chicago, I think on December 5, 1917. That was a little over a month after the Food Administration had licensed the packers; at that time, though, I had not seen a copy of the terms of the packers' license. We asked for this meeting with Mr. Cotton in order that we might understand what would be the policy of the Food Administration and what was the opinion of those handling the affairs of the Food Administration as to the requirements of the country. Mr. Cotton appeared before us and he stated that he had deemed it wise to grant the packers what he termed "liberal profits"; that we were at war and they were essential factors in the feeding of our peoples; and he went on to tell us that he had divided the packers' business into classes and had given them 9 per cent on class 1, 15 per cent on class 2, and unlimited on class 3.

He also stated to us that the producers of the country must realize that the Nation was at war; that they must prepare themselves for self-denial; and that if we did not find satisfactory markets on all occasions, when our stuff got to market, we must bear in mind the fact that we were at war and that we had to make sacrifices for winning the war; that that was our part of the sacrifice.

When Mr. Cotton had finished, I asked him if he would permit a question. He said, "Yes." And I would like to state here that one of the reasons Mr. Cotton gave for giving the packers liberal profits was to maintain liberal credit.

Mr. HAMILTON. Did Mr. Cotton prepare the license?

Mr. LASATER. He did. Mr. Cotton was the man who prepared the license. I asked Mr. Cotton if he thought it was not essential to the whole Nation that the credits of the producer be protected as well as the credit of the packer; that in event we did not have the requisite supply of cattle, hogs, and sheep his job would be purely academic and the Food Administration and the packers would have nothing to work on. Mr. Cotton's reply was: "Speaking broadly; yes." I added:

Mr. Cotton you have stated to us that the Food Administration will price the products that our allies, our own Government, and the Red Cross buy. Now, when you price those products do you see to it that there will be enough money left to reflect back to the producer his cost plus a reasonable profit?

His reply was: "No; I only look at what the packer pays."

Now, at the time we were talking, and Mr. Cotton so stated, the packer was commanding credits at around 5 per cent interest charge,

while the producers of live stock of the country were paying 8 per cent and higher. It would seem to me that it should have been quite evident to anyone that it was just as essential to take into consideration the credit of the producer under those conditions as it was to consider the credit of the packers.

Let us follow events. The following July or August we find here in Washington Mr. Ramsey, chairman of the board of the Federal reserve bank, of Dallas; Mr. Miller, in the same capacity at Kansas City; and a gentleman in the same capacity at Minneapolis. The heads of three Federal reserve banks located in the great producing centers of the country came to Washington, the seat of our National Government, and they gave out an interview which stated about this: That they were here to see if they could not inaugurate some system for financing the cattle interests, the live-stock interests, that would save to the Nation one of its essential industries; that live-stock credits had gone to pieces, and something had to be done on a national scale.

I should add, by way of explanation, that at the Chicago meeting to which I have referred, Mr. Cotton did not give us all that the license contained. I want to call your attention to page 7 of the rules and regulations of the meat division, United States Food Administration, under the heading "Interest" to the following:

(2) Interest. No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable or any other interest, for payments or accruals of dividends on any class of capital stock of licensee or for provisions for sinking funds, nor shall any such payments, accruals, or provisions be charged to operating expenses: *Provided*, That any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon.

What does this mean? The packers, as you probably know, and I assert it as a fact if you do not know it, practically dominate the live-stock credits of the country. They have large interests in banking institutions in all your large cities—no; not in all large cities, but in New York and Chicago, your two large cities, as well as at all live-stock centers. Now, that action put the packer in a position where it was immaterial what he paid for his money. He charged to expenses all payments of interest over and above 5 per cent and passed it on to the consumer.

And, further, 60 days after that was done I found the banking world of Dallas and San Antonio, Tex., informed on it, but not just how it came about. The packer was paying higher rates, and they argued, very naturally, if the packer, whose credit is much better than that of the live-stock producer—if you interpret it in terms of cost of interest—if the packer's rate has been advanced 25 per cent, why certainly it shows that money is worth more and we must advance rates to the producers of the country. You could not beat that logic; and in that way the packers——

The CHAIRMAN. I do not want to interrupt you, but let me ask for information: As to the increase in interest paid by the packers, was it done on the suggestion of the packers themselves?

Mr. LASATER. It was done in this way: The packers had so sprung the rate of interest that they were willing to pay——

The CHAIRMAN (interposing). They did what?

Mr. LASATER. They offered to pay more interest, and all of the banks were advised that the packers wanted to float notes with them, and that they would pay 6 and 7 per cent, the most of them at 7 per cent, and in some instances as high as 8 per cent.

The CHAIRMAN. I did not quite catch that. Where did the proposition come from; from the banks to the packers?

Mr. LASATER. No; it was the effort of certain packers to spring the rate of interest they were willing to pay, which, most naturally, had a reflex influence on the producers and the people of the country by way of forcing up the interest rate.

Mr. HAMILTON. Had not interest rates gone up all over the country during the war?

Mr. LASATER. They had gone up some.

Mr. HAMILTON. I had that impression.

Mr. LASATER. And this was the first real factor that the country got hold of that seemed to the uninformed mind to justify the higher rates of interest.

The CHAIRMAN. You may proceed with your statement in your own way.

Mr. LASATER. I am not going to attempt to read it at all, but I wish you would inform yourselves of a hearing that took place last March before the Committee on Agriculture on the live-stock situation as of that time. They had members of the live-stock producers before that committee, and—

Mr. STEPHENS (interposing). Which committee on agriculture?

Mr. LASATER. The Senate Committee on Agriculture.

Mr. SWEET. What did they have before them for consideration at that time?

Mr. LASATER. They had up the live-stock markets as they existed at that time, and what part the Food Administration had in affecting those markets. I want to state here that before that committee were Mr. Cotton and Mr. E. Dana Durand, representing the Food Administration, and you will find their testimony in parts 6 and 7 of the hearings held by the Senate Committee on Agriculture during the month of March, 1918.

Mr. ESCH. Is this the E. Dana Durand who was Director of the Census?

Mr. LASATER. Yes, sir. At this point I would like to introduce into the record a letter signed "F. S. B.," being F. S. Brooks, who was assistant to Mr. Chambers in the Traffic Department of the Food Administration, and an employee of Swift & Co.

Mr. ESCH. In the Food Administration or in the Federal Control?

Mr. LASATER. In the Food Administration.

Mr. ESCH. There was a Mr. Chambers in the Federal Control.

Mr. LASATER. I will read the letter and it will explain itself. I will state that this letter was read into an open hearing in Chicago of the Federal Trade Commission on February 25, 1918, vol. 12, page 2612:

CHICAGO, ILL., July 9, 1917.

Mr. W. B. TRAYNOR:

Mr. Edward Chambers, vice president in charge of traffic, Santa Fe system, informed me confidentially Saturday afternoon that he had, through Mr. Ripley, been called to Washington to serve with Mr. Hoover as an associate in direct charge of the transportation end of the food conservation program.

Mr. Chambers will undertake to bring about complete cooperation and harmony among the railroads of the United States in the execution of such plans affecting their interests as may be promulgated from time to time by Mr. Hoover and his advisers.

Mr. Chambers said that in his new duties he thinks that he will from time to time be brought in contact with our interests, and in that connection that we may depend upon him to the limit as our friend.

It is the purpose of Mr. Chambers to return to Chicago about once a month, for a day or so, to keep nominally in touch with the affairs of his department of the Santa Fe, but so far as he knew his duties with Mr. Hoover will keep him on the job in Washington throughout the period of the war.

Mr. Chambers in this capacity will be one of the most powerful railroad men in the United States, and it is peculiarly gratifying to say that he is probably the best friend I have among my friends.

Mr. Chambers was recommended to Mr. Hoover unanimously by the American Railway Association, the Interstate Commerce Commission, and many leading interests of the country.

Mr. Chambers left Chicago July 8 for Washington to assume his new duties.

(Signed) F. S. B.

Mr. LASATER. I would like to explain that Mr. W. B. Travnor is Mr. Louis Swift's private secretary. Mr. Louis Swift is president of Swift & Co. Shortly after the date mentioned in the letter Mr. Hoover asked that Mr. Brooks be loaned by Swift & Co., and he was installed in Mr. Chambers's office in Washington. I came in contact with him when I was connected with the Food Administration. Mr. Brooks was drawing \$9,000 a year from Swift & Co., and he continued to draw that salary, as read into the open meeting of the Federal Trade Commission, my recollection is, until March, 1918.

The CHAIRMAN. Was he paid any salary by the Food Administration?

Mr. LASATER. Not that I know of.

The CHAIRMAN. Was he a dollar-a-year man?

Mr. LASATER. Yes, sir; I think he was. But he was drawing \$9,000 a year from Swift & Co., and my recollection is that that was drawn by him up until March last.

Mr. ESCH. This was Edward Chambers, who afterwards became commissioner of traffic under Federal control?

Mr. LASATER. I suppose he is the same man.

Mr. STEPHENS. That was the railroad control?

Mr. LASATER. Yes, sir; I think so. I had not followed that up.

The CHAIRMAN. When was that matter brought out by the Federal Trade Commission?

Mr. LASATER. It was read into the record at the Chicago hearings of the Federal Trade Commission February 25, 1918, volume 12, page 2612; this letter I referred to was.

The CHAIRMAN. When was it published to the world?

Mr. LASATER. That was the date when it was brought out.

The CHAIRMAN. Is that printed in the Federal Trade Commission's report?

Mr. LASATER. I do not know whether it was printed in the report or not. At all these hearings you can go to the stenographer of the Federal Trade Commission and have a copy made, and a great many of these records I procured in that way.

The CHAIRMAN. You may proceed with your statement.

Mr. LASATER. I think it might be worth while for me to ask you to permit me to read something. In discussing the proposed law now before you for control of the packers, as recommended by the Federal

Trade Commission, of course you have got to and will give consideration to the railroad question. I think it important that this committee should realize what is taking place in the public mind, and I ask you to permit me to read a short article that I have here, taken from the Literary Digest of December 14, 1918. As I have just shown you the connection between the packers and the railroads through prominent men identified with the railroads, I do not think this other than reasonable.

The CHAIRMAN. Go ahead and read it.

Mr. LASATER. This article is:

THE BANKER'S FAILURE AS A RAILROADER.

The trouble with American railroads is that they have been run by bankers, and no industry can be operated successfully by men "of the banking type of mind." This diagnosis is an editorial one contributed by the Engineering News Record (New York). To a friendly critic who protests that our railroad system has led the world in extent, in development of country, in efficiency, and in low freight rates, the editor replies that if he had been referring to technical engineering excellence his opinion would have been different. But discussing the railroads as a whole, as part of the industrial scheme, and as such having an economic and social bearing, he does not hesitate, he says, to repeat the original statement. He goes on:

"Here was and is an agency with daily influence on the life of every member of the community performing a service essential to the Nation's life. Yet it has few friends among the people at large; more now than formerly, however, due to the number of those whose pity has been excited at the railroads' plight. The first of the railroads' plagues was the type of management—manipulation. It would be better called—which regarded the properties not as carriers, but as media for stock-jobbing operations. Consolidations, with the addition of water, and reconsolidations, with still more water, were the order of the day, while those operating the properties danced riotously over their territories, waving insolently the flag of 'The public be damned.' Rebates, car-withholding tyrannies, all manner of schemes were worked to aid the favored few, while the purchasing methods honeycombed the organization with rottenness. Then came the day for the people to have their say, and 1 National and 48 State commissions began to bedevil the carriers. What the stock jobbers and the grafters had failed to do the people in their vengeance helped to complete. The public at large, which, under intelligent management of the properties, would have been the railroads' best friend, had been alienated. As a result we have had the drift into bankruptcy, which has been railroad history during the past decade. Instances need not be cited. Each one can supply them from his own neighborhood. Probably the mention of the New Haven will furnish sufficient nausea to carry the right impression.

"And that debacle we attribute to the banking type of mind; that type of mind that places personal profit ahead of all other considerations. The engineering type of mind, we hold, would have analyzed the purpose of the railroads, would have seen that service to the public at large and not to any private interest was the prime object, would have erected that as the railroads' ideal and bullded a machine for its attainment."

Mr. LASATER. I do not think that this committee, or any other committee, will cure all the ills of the producers and the consumers of this country by simply passing a bill somewhat of the nature, we will say, of the one now pending, because I think you have got to consider the whole field, production as well as distribution; and the cost of living can not materially be brought down to the consumers of this country until attention is given to the interest rate that enters into production.

I state here and now before this committee that on the 8 per cent basis that the Government says is the basis, and somewhat over, that our foodstuffs are produced on that approximately 50 per cent of the total cost of production is interest charge. And it has been shown,

and you gentlemen are familiar with the fact; that producers are paying to-day from 50 per cent to 100 per cent, and have been for years, more than either the commercial rate of the country or that is paid by manufacturing enterprises or for speculative enterprises.

Mr. MAMILTON. I wish you would state that conclusion of yours again. Pardon me for asking you to restate it.

Mr. STEPHENS. Just let the stenographer read it.

(The stenographer read the last statement of the speaker.)

Mr. SANDERS. That has increased their interest rates more than the interest rates of these other industries?

Mr. LASATER. Yes, sir.

Mr. HAMILTON. That much larger interest rate is being paid by the producers of the country?

Mr. LASATER. Yes, sir. And I will add to that statement what I believe to be correct, that in no one of the civilized nations of the world does that situation exist. It has come under my knowledge that even in a little country as far removed from the center of things as Chile, a country that had no local wealth to make it possible, that her agricultural production is made to-day on the basis of 5 per cent, and she did that even though she had to go and create a market in Europe for the funds to use in that business. Think of it! This country, the richest in the world, is paying to-day for the production of its foodstuffs and its essential raw materials more than 8 per cent for the money its people must secure for that purpose!

Mr. HAMILTON. Do you say that extends all over the country?

Mr. LASATER. The Government in getting out its figures shows the average to be—well, there are certain sections in the East where it is not that high, but in the South and Southwest there are many places where the interest rate is much more.

Mr. HAMILTON. Your interest charge in the Southwest and West is higher than in other parts of the country?

Mr. LASATER. Yes, sir.

Mr. SANDERS. It will average 8 per cent?

Mr. LASATER. Yes, sir; that is what the Government advises us it will average; something over 8 per cent the Nation over.

Mr. HAMILTON. Pardon me, but while on the subject: How does interest range in the South, generally?

Mr. LASATER. From 8 to 10 per cent, and in many instances more when you calculate the credits the producer has to get through the merchant.

Mr. HAMILTON. I will follow that up with another inquiry: What is the reason for this higher rate of interest in the South, Southwest, and West?

Mr. LASATER. Well, I can probably best answer that question by referring to an incident which occurred some years ago: I had the secretary and treasurer—and his name escapes me now—of the Aetna Life Insurance Co. going over some of my properties. He was with Mr. E. B. Chandler, their representative in San Antonio, Tex. After much discussion this gentleman admitted that I had more intrinsic value behind the loan I was offering him than the Iowa farmer had, proportioned to the amount of money used, you understand. In other words, here was a tract of land of many acres, and he could easily see how the lands would double in a few years. The settled

lands in Iowa could not increase anything like as rapidly in value. So he admitted that there was more intrinsic worth behind my land than the Iowa land. My query then was, "Why do you make me pay 8 per cent when the Iowa business is done on 5 per cent?" His answer was, "Because I can get it." My rejoinder was, "I don't think that is either good business or good morals."

Mr. HAMILTON. And you were right.

Mr. LASATER. I think so.

Now, Mr. Chairman, I would like to change from this discussion, but I see it is nearly 1 o'clock. Would it suit you to take a recess now so as to begin a new subject after recess?

(And at 12 o'clock and 45 minutes p. m. a recess was had until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order.

Mr. Lasater, you may proceed.

STATEMENT OF ED. C. LASATER—Continued.

Mr. LASATER. Mr. Chairman and gentlemen, I would now ask the permission of the committee to be specific. I would like to commence my statement by reading from a statement made by me in Washington, D. C., March 7, 1918. I charge that Mr. Hoover took up the duties of Food Administrator with the intent of exploiting the producers of live stock of America:

WASHINGTON, D. C., *March 7, 1918.*

1. His statistics made public in Food Administration Bulletin No. 10 and other Food Administration issues to the public, purporting to show the condition of live-stock supplies for the allies, central powers, and neutrals were grossly wrong in the following particulars:

Mr. Hoover's statistics show a shortage of cattle, hogs, and sheep aggregating 115,005,000. Crop Bulletin of February, 1918, of the United States Department of Agriculture shows an increase of the allies and neutral countries in cattle, hogs, and sheep of 8,848,000, or an increase practically of 2½ per cent since the commencement of war. There are no statistics available for the central powers since the war commenced.

Bulletin No. 721 of the Department of Agriculture shows that the prewar aggregate number of cattle, swine, and sheep of the central powers to have been 134,937,000 head. The central powers have been less devastated by contending armies than have the allies. The reasonable thing to expect is that their live-stock production has been affected no more disadvantageously than has that of the allies and neutrals. But, estimating that the central powers have decreased their live stock 20 per cent since the war started, that would amount to only a shortage of live stock that enter into the European and American meat supply of 26,987,400 head, which still leaves a shortage to find of 96,865,600, according to Mr. Hoover's estimate.

Russia has not been taken into consideration in the above estimate, because it does not appear that the figures obtainable are reasonably correct, though secured by the Government from the best sources available. The increases shown for Russia in monthly crop report of February, 1918, of the United States Department of Agriculture are 35,064,000 cattle, swine, and sheep, or an increase of 47 per cent since the war commenced; adding this increase to the total supply available for European and American markets, we have an increase of 131,929,600 above the estimates furnished the country by Mr. Hoover. Mr. Hoover could not have had any basis of fact for his statistics given to the public as above outlined. The object of such misinformation was to persuade the producers of the United States of America to increase their supplies of live stock by emphasizing the economic strength of the position of live stock.

Now, I state, Mr. Chairman, that I give here all the statistics that Mr. Hoover could have had. No man could have been in a position during August to have gotten out and gotten world statistics. He had to take what was furnished by our Department of Agriculture. They were the only statistics available, and I show in this statement what those statistics show in regard to the live-stock supply.

Now, I have introduced in my testimony here part 6 and 7 of the hearing held before the Committee on Agriculture of the Senate during the month of March—I want to read some testimony that was introduced in that hearing. I read my next letter to show that Mr. Cotton and Mr. Durand did not present the facts as they were before that committee in that hearing. They stated that their object in getting additional English orders for American beef was to help the American producer. This letter shows that these additional orders were placed in America because they couldn't be placed in Argentina on account of a strike in the packing plant of Argentina. I am reading from a transcript, the proceedings of a hearing held by the Federal Trade Commission in Chicago, Ill., March 1, 1918, page 3343:

[The Cudahy Packing Co., South Side Station, Chicago, Ill. United States Food Administration license No. G 80818.]

DEAR SIR: Yesterday Mr. Shepard attending a meeting of the packers with Mr. Cotton and nothing was said about beef.

He says that the other day Mr. Cotton spoke to the five big packers in a very confidential manner, saying that he didn't want this known to the others at all—

That means smaller packers; there were only the representatives of the five big packers—

but that the industrial situation in the Argentine was very much upset, and that freight handlers, employees, and all of the packing houses were virtually out on strike, and on that account the allied commission would be buying a large quantity of beef for the English mission.

No further action or anything definite has been done, and from the brief discussion yesterday Mr. Shepard gathered that they were waiting for some more positive news from South America, or perhaps it has rather been intimated that it would be good policy for the English mission to buy a quantity of beef in this country.

We will keep in touch with this and advise you the minute we hear anything definite.

Yours, very truly,

THE CUDAHY PACKING CO.
F. E. WILHELM.

I will state that the Mr. Shepard mentioned here is the general manager of the Cudahy Packing Co. of Chicago.

Now, I will read the next letter for the purpose of showing that the Food Administration suppressed other information from the smaller packers, taking into their confidence only the five large packers.

Mr. STEPHENS. For the purpose of depressing the price of live stock?

Mr. LASATER. Yes; that will follow when I read the letter. The letters themselves will explain the purpose. That is addressed to M. R. Murphy, care of the Cudahy Packing Co., Omaha, Nebr., and it is on page 3345 of the same hearing in Chicago:

DEAR SIR: I attended a meeting at the Food Administration offices, at which there were representatives of three or four of the principal packers. The purpose of the meeting was to discuss the general situation in regard to packing—

house products and live stock, particularly hogs. This conference Dr. Durand requested be considered as secret, as they did not want anything to get into the papers in regard to it.

The Food Administration, in view of their announcements some time ago that they would maintain a 15½-cent minimum on hogs, do not want to see the minimum fall below that figure, as it would be very embarrassing to them, in view of all that they have put out in the papers. They have promised us that there will be an outlet for all of our surplus stock, and, while we are badly congested now, on account of these delayed foreign orders, they are willing to do anything within their power to expedite the movement of this stuff, so that we can get our money out of the product. They also tell us, confidentially, that the January allotments will be very large, and that there is no question but what they will find a place for all our surplus product, and they assure us they will give us remunerative prices for same. They tell us not to hesitate to buy these 15½-cent hogs, as it will pay us to do so. While they do not want the hogs to go below the minimum of 15½ cents, at the same time it would suit them just as well if we held them down pretty close to that figure. By 15½ cents they mean an average drove of good hogs at Chicago. They do not expect us to pay this price for stags, old sows, pigs, or any off-grades, and they expect ordinary differentials to govern between Chicago and outside markets.

I attach herewith a copy of the message just received from Mr. Cotton, who is now in Washington. This is a statement which he has issued broadcast to-day over the various tickers and through the Associated Press to all the newspapers. I think he figures that by the time they get the export orders cleaned up and another allotment made, the packers will be in better shape to take on the hogs than they have been up to date.

A great many of these little packers were disappointed in the size of their allotments. They have a great deal of money tied up in product, which accumulated during the six weeks when export shipments were held up, and they are not anxious that the little packers get very much information on this subject, as they do not want to do anything to excite the live-stock market and want to keep it as stable as possible.

I would like to call your attention to the fact that whenever there has been any intimation of the Food Administration that they intended to stabilize live-stock prices, it means lower prices. You can confirm that by going into the matter.

Mr. DECKER. Now, I don't know but that I will ask you right there——

Mr. LASATER (interposing). Now, I stated that I would get through in an hour and a half, and I will be very glad to answer any questions that I can answer.

Mr. DECKER. Well, go ahead then.

Mr. LASATER (reading):

I thought I would give you all this information, so that you would understand what was going on over here.

Now that is all of that letter on this subject. That is signed by G. C. Shepard, and is written to Mr. Murphy, the manager of the Cudahy Packing Co. at Omaha.

Mr. HAMILTON. Who did you say that was from?

Mr. LASATER. G. C. Shepard, general manager of the Cudahy Packing Co.

Mr. SWEET. Have you the statement of Mr. Cotton in connection with that letter?

Mr. LASATER. No, Mr. Cotton; you will find his statement in regard to the Food Administration and the live-stock situation in report No. 6 before the Department of Agriculture—or rather, the Committee on Agriculture of the Senate, made during March. That is given in full. He was there several days and made a complete statement, and you will find it there. I will read these facts to show you that Mr. Cotton was not candid with that committee.

Now, I will read here a letter under date of January 18, 1918, addressed to Mr. W. Deising, the Cudahy Packing Co., South Side Station, Omaha, Nebr. This is on page 3351 of the testimony taken by the Federal Trade Commission:

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office.

I would say here that Dr. Durand was second to Mr. Cotton in the meat division of the Food Administration.

The conservation committee meeting was postponed, and this meeting was to discuss future allotments. Those attending were Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edw. F. Swift, Chas. H. Swift, and Carr, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Dr. Durand just wanted to know what the actual stocks of frozen beef were in the country now. Our amount was so small that he didn't make a memorandum of it. Without this, he had about 30,000,000 pounds, the greater portion of which was of cows.

The doctor then said that they were going to buy big quantities of beef every month, and he was rather skeptical about our being able to take care of the orders. He didn't state just what quantity was wanted, but thought that it would be a minimum of 6,000,000 pounds a week. He then asked for suggestions on how to provide this. His first thought was to have a meatless week, but it was shown instantly that that was impracticable, as there was no chance of any of us freezing our entire week's kill, and the effect on the country of such a measure would be as bad, probably, as the present embargo on fuel.

Mr. White suggested that every packer freeze 10 per cent of his kill, and on this basis we should be able to secure 6,000,000 pounds of meat, if the receipts ran as liberal as they expected them to be. Mr. Meeker further suggested that we start out on the plan as Mr. White had proposed—or freezing whatever quantities we desired—and that we meet again a week from next Monday and see what had been accomplished. After the 6,000,000 pounds had been put away we would go right along working on that plan.

We were also to come prepared to this meeting—which will be on January 28—with costs of the beef that we have down and ready to offer.

Dr. Durand said that this thing would have to be handled in some way to avoid advancing of the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were going to be correspondingly short in your branches. This would have a tendency to raise the beef market—which we all admitted—and that in turn the live-stock market.

We all agreed that we would see that we didn't pay any more for live stock and that we would keep our selling price to a normal point to correspond, and he said he thought it wouldn't be long before Mr. Hoover would state that we would be allowed to sell our beef or fresh meat to our branches at actual cost plus some definite profit, like 1 cent a pound, or some means of preventing an ever-increasing selling price. Dr. Durand intimated that if this couldn't be worked out that they would have to go into the question of closing up some of the branches; that where we had branches located side by side that they would close some at certain points, etc.

We are really on trial to see how we behave, and if we can take care of this export business without putting things out of condition in this country, all right. He said that the English wanted quantities much greater than he would consider letting them have, as he wasn't going to rob this country, but at the same time we must be as economical as possible, and he thought that before long another meatless day would be instituted.

Upon inquiry as to the class of beef that we would probably save, it was the general opinion that practically everything from now on would be within the 500/700 ranges.

I want to call your attention to the fact now, gentlemen, that from November 1, 1917, to about June 1, 1918, this country marketed the heaviest crop of cattle and hogs ever marketed; the country did

that at the request of the Food Administration. Mr. Hoover had the country worked to show the producers how badly the allied world needed fats, and he stated that it was their patriotic duty to make every steer and every hog carry all the fat to market that could be put on him; and after the country did that, then heavy cattle and heavy hogs were discriminated against.

Mr. DECKER. Explain that a little more. I am afraid anyone going over that would not get your point. I don't just see where that was.

Mr. LASATER. Simply because, after the farmer had put his grain into his cattle, they practically took the grain of the farmer and they didn't allow him pay for it. That is what I object to and that is what the country objects to.

Mr. STEPHENS. Then they claimed they didn't want fat cattle at all; they wanted lean cattle?

Mr. LASATER. They couldn't afford to pay for these finished cattle after the farmer had fattened them up, at the advice and solicitation of the Food Administration.

Mr. SANDERS. What was the pound limits you mentioned?

Mr. LASATER. Five hundred and seven hundred.

Mr. SANDERS. Isn't that lean cattle?

Mr. LASATER. No; this is dressed weight.

Mr. DECKER. Didn't the farmers understand that they were doing all they could to fix the price or stabilize it?

Mr. LASATER. The farmer went—I think, Mr. Chairman, you had better let me proceed. I will be glad to answer questions, but if you break up this way I will not be able to finish. I will be glad to stay here as long as you gentlemen want to ask questions, but I would like to finish this statement first. [Reading:]

Dr. Durand asked us all to give him figures showing what our tonnage of our domestic beef business for the month of February would be. No one volunteered to make a statement of these figures, so they were submitted in writing. I had to figure this hastily. I estimated our weekly beef business to be 6,000,000 pounds, making it 24,000,000 for the month.

This is simply detail work from now on, statistics, and I don't know that it adds to the point under discussion. If you gentlemen are willing, I will just skip that part of the letter, but the whole letter will be in the record.

(The remaining portion of the letter referred to follows:)

Figuring on 550/600-pound cattle, this is about 10,000 head. I thought your kill might run considerably more than that; perhaps up to 15,000; but if we were going to figure on a 10 per cent cut down of our domestic business, though there was no object in having our figures too large. What do you think of that estimate for February?

We had a good deal of discussion about boneless beef, and, all told, there was something like 25,000,000 pounds of beef trimmings and boneless cuts offered. I submitted the following quantities: 1,000,000 pounds beef shank meat, 300,000 pounds boneless bulls—

That 1,000,000 pounds of beef shank meat seems to furnish the key to the rise in the price of shank meat—I mean this proposition of their buying shank meat—

150,000 pounds beef chucks, 150,000 pounds boneless mutton, 150,000 pounds boneless veal, 150,000 shoulder clods, 100,000 pounds Spencer rolls, 50,000 pounds plain rolls, 150,000 pounds sirloin butts, 85,000 pounds boneless strips, and 1,000,000 pounds beef hams.

Dr. Durand asked Mr. Swift what sort of price he thought was right on the boneless beef. He said he didn't care to answer to-day, but that they would proceed to figure it if he thought there was some definite prospect of buying these goods. It was then suggested that the price be around 18 to 18½ cents, and that seemed to satisfy everybody.

Yesterday, before going to the meeting, I talked to Mr. Cudahy about this beef-cut proposition, and he said that he thought these cuts were worth more money than they figured, and he thought it best to offer a smaller quantity than we did the last time. This you will note, according to the above figures. I think we will probably start at something like 18 cents, Chicago, loose, for cloads, and put a premium on the better cuts, such as the rolls and strips and hams.

He had some inquiry from Italy for boneless beef, Australian style, but everybody condemned the idea of supplying any meats according to these regulations, stating that these meats were absolutely satisfactory that we were offering, and that this special stock would have to be made especially and would be very expensive. I suppose the motive there—just as our own—was to sell some of the stock we had on hand, which I guess everybody is willing to do.

Dr. Durand said that he had submitted the offerings of offals, but as yet had heard nothing. We all urged that he push this through as much as possible, as these items—which included tongues—were commodities that were generally shipped abroad, and consequently we all had a surplus due to our being unable to secure any shipping facilities.

The thing for us to do, then, is to go ahead and accumulate all the frozen beef that we can and give them our costs and quantities that we will have on hand a week from next Monday. I hope that we will be able to submit an offer of 600,000 pounds, as it would tend to establish our position, even though subsequent offers might not be so large.

Yours, very truly,

THE CUDAHY PACKING Co.
F. E. WILHELM.

Now, I wanted to call the attention of this committee to an incident that took place while Mr. Weld—Prof. Weld—was testifying here. He stated that the word "spread" in certain telegrams under discussion meant the difference between the prices that were being paid for hogs on the market and what the packers were getting for their product. I make the statement that there was nothing of that kind intended when the buyer in Chicago wired the buyer in Omaha and Fort Worth and Kansas City to improve his spread. At that time the Food Administration had put a price of 15½ minimum upon the average drove of packer hogs. As I have just stated, the country was marketing one of the heaviest crops of hogs it ever made, and light, well-finished hogs were selling at a premium over packers' droves. Now, when this buyer was wired to "improve your spread," it meant to bring down your top price closer to the guaranteed minimum price of 15½; and the way to do that was for the big packer to lay off the market until he let the smaller packers have what they could take at the higher prices, and then he would take them lower. That was the strategic way to handle it, and that is the way they did handle it.

Now, this letter is under date of February 12, 1918, to Mr. M. R. Murphy, Omaha, Nebr.:

MY DEAR MIKE: I received your telegram to-day, and also saw the telegram to Bonde and the messages which you requested him to show to Mr. Cudahy.

I presume that it is true that all of us have not been as considerate as we should have been, in view of the great strain and the difficulties under which you and all of the superintendents have been laboring since the 1st of January. The whole truth of the matter is, we have nearly bitten off more than we can chew. There never was a time in the history of the business when we have had as good a margin on the hogs for as long a stretch continuously, and naturally it has made everyone very greedy to kill every hog they possibly could. I

don't suppose any of us have wasted much time figuring out whether we could or could not handle the business when we saw a chance to land a big allotment over at the Food Administration. The main idea that we had in mind was that it was profitable business, and the first thing to do was to take the order and then get through with it some way or other.

That is all that is printed in to this point, but I will introduce the whole letter into the record.

The remainder of the letter follows:

Every department head here in the Chicago office has been working under a great strain also, and, if the truth was known, everyone is pretty much on edge themselves, and working under these conditions they are not apt to be as considerate of other people as they might be under normal conditions. However, I wish you would keep this one thing in mind: That when these telegrams are sent they are not intended as personal criticism or any reflection upon the work or ability of the man to whom they are sent. One of the big things which Mr. Cudahy has had on his mind over here has been the question of finance, as at the present time we have about twice as much money borrowed as we ever had before, and about all we hear around here is to get the stuff shipped and get the money back. Naturally, with this drummed into us morning, noon, and night, every one of us is trying to think up some brilliant scheme for getting the money back, and the first thing we think of is to get cars and get the stuff shipped. If it was only one of us that was handling this proposition it wouldn't be so bad, but I can readily see how during the course of the day the number of messages you get from all departments is very large. Mr. Cudahy and everyone else feels that the houses have done wonderful work in view of the conditions that have existed, and, as stated before, there is no intention to criticize what has been done. In the meantime I have taken your side of the situation up with everyone here and we are going to all turn over a new leaf and will be just as considerate as we possibly can, and if it looks like we are riding you too hard at any time please be a little patient with us, as we don't mean any harm by it. We are all working toward the same end, and that is to try and put over a big, successful year.

With kindest regards, I am, sincerely,

(Signed)

G. C. S.

Mr. SANDERS. Who was that letter written by ?

Mr. LASATER. It was signed "G. C. S." That is G. C. Shepard, general manager of the Cudahy Packing Co., to the branch manager at Omaha, Nebr., Mr. Murphy.

Now, gentlemen, I would like to state in connection with what I have just said Mr. Henry Wallace, editor and publisher of Wallace's Farmer, is regarded as one of the live-stock authorities in the corn-belt section. He is a man of both ability and character. Mr. Wallace during this whole period was advising the country that the packer was selling their product locally in this country; that he was buying at 15½ and 16 cents on the basis of 20-cent hogs. Now, I think the letter I have just read would confirm Mr. Wallace's conclusions.

Mr. DECKER. What do you mean by "at 15 on the basis of 20-cent hogs"? What do you mean by that?

Mr. LASATER. I mean they were selling the product from the hogs as if the hog cost 20 cents instead of 15½ to 16 cents.

Mr. SWEET. In other words, their profit was predicated upon 20-cent hogs?

Mr. LASATER. Upon 20-cent hogs. Now, with the statement that Mr. Hoover made when he took over the duties of Food Administrator, and with the letters that I have read to you, with the full statement made by Mr. Durand and Mr. Cotton, that is on file before your Committee on Agriculture, made in the month of March, 1918, I believe that I have substantiated the statements that I have made

that there was a combination between the Food Administration and the five large packers to exploit both the producers of live stock and the smaller packers of the country.

I have a letter here written—addressed to Swift & Co., Chicago, Ill., dated January 10, 1919, and signed by John A. Edwards, who is a live-stock producer; also has some interest in local banks and an oil mill. I will introduce the whole letter in evidence, but I only care to read part of it:

Practically the entire result obtained by the raiser of food from all these periodical governmental raids is Upton Sinclair's book, "The Jungle," and Mr. Cotton—two solacing panaceas for the ills we have endured after years of prosecution—and the verdict is, Mr. Cotton. Pershing was sent to France, Germany is whipped—international justice and right reign, but at home Mr. Cotton is at the helm and corn runs riot, and 13 to 1 are joking words before intelligent men—mill stuffs are released and bran and shorts soar and our Mr. Cotton's committee wonders if it can uphold even the poor price now paid for the hogs which have been consuming this feed which costs more than canned corn before the war.

It has only been a few weeks since telegrams poured out from this committee asking that consent be given to lower the cost of at least \$1 per hundred weight to the packers of certain grades of hogs. Their allegation was that hogs arrived so rapidly that the packers could not kill them, yet the packers apparently could speedily kill them at \$1 per hundred weight less. In these telegrams there was no intimation that the packers, because of oversupply and overproduction and overkilling intended to reduce the December price of bacon to the Government or any other purchaser. Even fertilizer was quoted strong. The logic of those telegrams was so humorous that one would have imagined Eddy Foy had written them.

In your letter one can feel that your business profits are governed, in your opinion, by supply and demand. With the above telegrams on file and with hogs swarming to market and a world clamoring for pork, with the buying and selling price a league apart, it would seem that supply and demand had never been introduced and they were only used occasionally like raincoats.

Your letter suggests that I complained of the packers' patriotism. This is an erroneous interpretation. The packer is as patriotic as the farmer, but his patriotism is of no greater intrinsic worth. The producers object to a premium being paid for the packers' patriotic endeavors and the producers penalized. For three years the cowman has been urged to keep his cow. He did and the cow carcass is now refused by the Government. The cow has sold as cheap as though there had been no war, she lost much money, she went into the packers' cans—the cans then sold at as high a price to the Government as though the war would never end. The packers' patriotism paid. The calf losses because baby beef is discriminated against by another committee. The small carcass sells to the retailer at a little less per pound than big, high-priced carcasses. The distinction between carcasses is the same as between patriotism.

Thirteen to one for the hog is proclaimed. The value of corn is taken at the farm and the hog and his shrink at Chicago. Live hogs decline rapidly—much below \$18.50—pork prices do not. Supply and demand fall out—although your letter suggests that they are Siamese twins and could never be separated—that Swift & Co.'s prices raise and fall with the live-stock market like a barometer with the weather. * * *

Your letter takes exception to the statement that the packers are assured 9 per cent profit, and wishes the word "assured" stricken out and the public impression and wrong committed corrected. It is my opinion that it is the public who have been injured by insufficient information. Mr. Cotton, in Chicago, before reliable parties, stated that, of course, the packers were limited to 9 per cent, but if they stopped with twice 9 he would be satisfied; and Mr. Cotton is the chief of the price fixers, and with the price fixers agreeable to 18 per cent your company should feel some assurance of making a substantial 9 per cent.

Mr. Cotton, who is over the Food Administration's committee, is a corporation attorney. Mr. Wilson, president of Wilson & Co., the prince of packers, is chairman of this food commission, and is constantly at the price-fixing table; Mr. E. C. Brown, president of the Chicago Live Stock Exchange, a packer-owned stockyards, is a member in good standing of this committee. Mr. Fred

Brooks, your traffic manager, and a most adorable and astute man, was also a member of Cotton's committee, which fixed the price the packers were to pay for the farmers' products. My conception is that the commission so organized was unto itself judge, jury, and sheriff. You therefore should not rebuke me for feeling that you had some assurance of 9 per cent. If the manager of my ranch and the cashier of the bank of which I am president and the president of my oil company should sit on a committee to rule who should pass to heaven, I would take hope—I would feel I had assurance of eternal life.

Mr. HAMILTON. Who wrote that letter and to whom?

Mr. LASATER. This is addressed to Mr. Louis F. Swift. Mr. Swift had criticized some statements Mr. Edwards made, and this is in reply to the letter which Edwards received from Mr. Swift, and was circulated quite widely in the West.

Mr. DECKER. Does that fellow write for the magazines, too?

Mr. LASATER. I never heard of it. I never saw anything in the magazine. This is the first I have ever seen in print from Mr. Edwards [reading]:

Distinguished bankers and friends whom we both know, loan millions to the cattlemen at 8 per cent and the packers at 6 per cent. They demand a deposit from the cattleman and obtain a float from the packer. These bankers wired Washington, not at the request of their cow customers and surplus earners, to put the skids under the Borland resolution. Last fall they advised the skids for Borland. The oath will soon be administered to Borland's successor. With Borland skidded and Doolittle gone and no more investigations feared, it is no crime to feel that you have some assurance of 9 per cent, especially when the most noted bankers will rain telegrams and give political assistance when the magic wand is waved.

There are men who feel, during the past year, that the entire 9 per cent was made off their live stock. Men who owned big steers—steers which stood from Monday until Wednesday or Thursday shrinking, waiting to be weighed, waiting for a purchaser on these "open markets where competition is keen," steers that would shrink from 80 to 100 pounds or from \$12 to \$15 per head or \$250 to \$300 per car, and these empty, shrunken steers went to the packing houses. There were hog men who contributed to the 9 per cent, men who received \$2 and \$2.50 per hundredweight less than the Federal Food Administration's minimum, or \$5 per head less than schedule of \$500 per car less than Mr. Cotton's committee taught the hog world to believe was possible.

Last year when a little overproduction of hogs appeared on the markets, live prices slumped. Last summer when packing houses burst with pork, no slump occurred in pork prices. Mr. Wilson's committee declared beefless meals and beefless days, and a patriotic public ate pork and paid the price. Last winter when millions of pounds of poultry were in storage, the committee placed an embargo on the selling of old hens. Thousands and thousands of bushels of kafir corn and other grain were consumed by these useless old hens until the enormous supply of frozen poultry that went into storage at 18 cents per pound could be unloaded on an innocent, loyal, and hungry public at 36 to 40 cents per pound.

Anyone who would believe that a packer's profit is limited to only one-fourth of 1 cent per pound per carcass for each steer bought or cow killed, who believes that supply and demand reign, who believes that when hogs slump pork follows, enjoys believing Grimm's Fairy Tales.

Mr. Cotton breathes and resigns, Mr. Wilson is his chairman, Mr. Brown a senior member, and with Mr. Borland gone and Heney home, and Doolittle of Kansas retired, and with 80-pound shrinks on steers, \$2 slumps on hogs, and canner cows abundant, and with beefless and porkless and henless days at convenience, I don't know what further assurance of 9 per cent could be desired, unless one wants to name the Secretary of the National Treasury.

I want to say in conclusion that I regret having been shamed and bullied into writing this letter; I hesitate to send it, even at your request, to the Drovers Telegram. You should not compel me to enter this unpleasant controversy—my life is pleasant, my home ties are dear, and I am otherwise at peace with the world, and if the Lord permits, I'll so remain.

Very truly, yours,

JOHN A. EDWARDS.

Now, Mr. Chairman, I would like to devote some time to showing what the live-stock producer has earned on production since the war started. Mr. Swift has stated to you about the misfortunes of 1914 and 1915, and he attributes those misfortunes altogether to the foot-and-mouth disease. As the low prices and losses of those years are admitted even by the packers, I will not go into live-stock conditions in those years, but will confine myself to discussing 1916, 1917, and 1918. I would like to mention one fact, though, in connection with 1915. In the fall of 1915 the packers anticipated a heavy run of hogs, and they were not wrong in their anticipations. The country had the hogs. They began early in September to tell the country—advising the country—that the pressure of the great weight of hogs back on the farm would force the hog market, which was at that time, we will say, around $8\frac{1}{2}$ cents, down to 4 cents; it could not be avoided. By December they had it down to around 6 cents, when the unexpected happened. There are in Canada a number of small packing establishments, so these Canadian packers made an agreement with the Canadian Government to buy American hogs and ship them into Canada in bond and reship the product to the allies without paying duty. Now this, as a matter of fact, opened up no new market for the American hog, but simply developed a new route to the market, the same market that the big packers had, the allied demands. Now, then, instead of hogs going on down to where the packers told us they would go, to 4 cents, we found a gradual—not a gradual, but a decided increase in price, and the 4-cent market was never reached, but they soon went up to 12, 14 and on. I want to mention that fact simply to impress upon you gentlemen the statement the packer made to us—that is, the producers—during our conferences in 1916, that he treated the producer fairly, are not borne out by facts. With us he did not take the position that he could not price our stuff. He admitted that, but his whole defense was, “We treat you fairly; we are simply your distributing agents.”

Now, I have mentioned the fact that the President——

Mr. HAMILTON (interposing). You didn't say how much higher hogs went in 1915, did you, after the Canadian market was opened?

Mr. LASATER. They went on down in 1915 until in December they had them down to about 6 cents. Then they started up in December, and in January and February they got on up—I don't recall the exact figure, but they went on up to 10 or 12 cents, and we have had no hogs cheaper than that since.

Now, I have mentioned the fact that the President ordered the Department of Agriculture to assist the Food Administration in ascertaining costs of live-stock production, and finally that work was undertaken by the Department of Agriculture and was turned over to the Department of Farm Management, headed by Dr. Spillman. I have a statement here made by Dr. Spillman before the Committee on Agriculture, dated August 28, 1913. I will not undertake to discuss everything in here, but only that which pertains to live stock, and while I will ask that the whole pamphlet be made a part of your record, I will only read certain parts of it, for the sake of briefness.

Mr. PARKER of New Jersey. How long a pamphlet is it? Mr. Chairman, will you ask how long a pamphlet it is? We are getting a great deal of this record.

The CHAIRMAN. How many pages is there in the pamphlet?

Mr. LASATER. Well, they run from 319 to 338, both inclusive. I would suggest that that part of it only relating to live stock be included in this record, and not that part of it relating to other things.

The CHAIRMAN. Designate it from page to page.

Mr. STEPHENS. What does the other part relate to?

Mr. LASATER. To wheat.

Mr. STEPHENS. I think that is important, and I would like to have it in there.

Mr. LASATER. I have no objection, gentlemen, but I am only discussing live stock.

Mr. STEPHENS. It is all upon farm products.

Mr. LASATER. Dr. Spillman says, on page 331:

Here are some figures from 188 farms in Nebraska, Iowa, and Missouri from the fattening of beef animals during the years 1916 and 1917.

Then follows the table showing costs on 2-year-olds, yearlings, and baby beeves, 1914-1916. I will read Dr. Spillman's comments on this table and the results to these farmers that he has investigated. [Reading:]

Seventy-one farms made profit; 55 farms lost money.

The figures include 9,541 2-year-old steers, 1,530 yearlings, and 1,135 baby beeves. The gross cost for a 2-year-old steer that year was \$141.17 on that group of 188 farms. It should be stated that much of the feed used by these cattle was purchased in the fall of 1916, when feed was much cheaper than it is now. There were credits for pork following the steers, and there, again, whatever is made on that pork is all credited to the steers, which is not fair; but it is a little difficult to divide the profit, because it is so often a loss, or is a profit on one part and a loss on the other. Each steer there is credited with \$9.70 worth of pork produced from his manure, and he is credited for manure \$1.44 on a feed of 184 days. The net cost per 2-year-old steer at the market was \$130.03.

The net cost of yearling steers on these same farms was \$106.86.

The CHAIRMAN (interposing). That is, on the 2-year-olds?

Dr. SPILLMAN. The first I gave was on the 2-year-old steer.

The CHAIRMAN. The average weight—you have not given that?

Dr. SPILLMAN. I have not given that. It was 1,231 pounds for the 2-year-olds, and the days fed, 184; the average daily gain, 1.6 pounds; and the cost per pound of gain on those 9,000 steers was 19.8 cents.

It should be noted here that the average feeding margin on these 9,000 steers was \$3.89. This is a very unusual margin. The average margin for the preceding 10 years was \$2. During the feeding season of 1917-18 the margin was again very low and feeders generally lost money. It is to be noted, also, that the cost of the thin steers constitutes 51 per cent of the total cost of the fat steer.

For the year-old steers—there were 1,530 of these—the average net cost per steer was \$106.86; the final weight at market was 1,037; days on feed, 218; gain per day, 1.6 pounds; cost of a pound of gain on these yearling steers, 16.1 cents, as compared with 19.8 cents for the 2-year-olds.

Here are the baby beeves on these same farms: Net cost at the market, \$91.37 (that is what the farmer had to get at the market in order to come out even); weight, fat, 798 pounds; days on feed, 212; daily gain, 1.6; cost per pound of gain, 15.4 cents.

The CHAIRMAN. What is the point of distinction between the yearling steers and the baby beeves?

Dr. SPILLMAN. The yearling steer—the farmer buys the steer when 1 year old, in thin condition, and then gradually puts him on full feed. In about three months the steer is fed about all he is capable of digesting, after which he is fed all he will eat for a period of about three months, at which time he is sold.

In the case of the baby beef, just as soon as the calf is old enough to eat a little grain he is encouraged to eat some grain and nice juicy hay while yet nursing his dam. In that way he is made to eat every ounce that he can digest every minute of his life.

The CHAIRMAN. He pushes him all the way?

Dr. SPILLMAN. He pushes him all the way until he is about 20 months old, or sometimes 14 or 16 months and sometimes 22 months, which is about the limit. So, you see, one is pushed all his life and the other is pushed the last six months, and thus the one which is pushed all his life makes his gain somewhat earlier in life and costs a little less.

Here is one fundamental principle we find in all feeding operations: The younger the animal, the cheaper the gain.

The CHAIRMAN. The younger animal gets the benefit of the growing period?

Dr. SPILLMAN. Yes; and then after he gets through his growing period growth means taking on fat, and it takes nearly twice as much feed to put on a pound of fat as it does to make a pound of bone and muscle.

The CHAIRMAN. On that point I was reading some time ago the report of the Royal Commission on this very subject, and I remember they said the feed which you give an animal between 18 months and 30 months old would yield more gain in weight if fed to a younger animal.

Dr. SPILLMAN. Oh, yes; that is true.

The CHAIRMAN. And that there was really an economic waste in carrying the 30-months old, as compared to the 18 months; that you had the best profit below 18 months. That corresponds with your idea?

Dr. SPILLMAN. That is true, and our department has been recommending the farmers to fatten their beef at an early age and to turn them in not quite so fat. Here is another thing: even if you leave out of consideration the fact that the younger the animal the more gain he will make with a given amount of feed, the fatter the animal at the same age the less gain he will make on a given amount of feed, because the fatter he gets the larger the proportion of his feed that makes fat, and it takes more feed to make a pound of fat than it does of bone or muscle.

As I explained a little while ago, the farmer practically always sells his steer for less per pound than it costs him to put on the gain. It used to be a common practice in Nebraska and Kansas, when cattle were selling at 8 cents a pound fat, for a drover to hire a farmer to put fat on steers and pay him 10 cents a pound when he knew he was only going to get 8 cents. But he had bought these cattle for 6 cents a pound, and he was figuring on selling them at 8 cents a pound, and he was going to take a profit of 2 cents a pound on all the animal weighed before he began feeding him. He would lose 2 cents a pound on the 240 pounds of gain, but he would gain 2 cents on the 800 pounds that he had before he began feeding.

The CHAIRMAN. He paid that 2 cents a pound for advertising and selling purposes?

Dr. SPILLMANN. Yes; that is, his advertising is the fat he puts on that steer. Before the recent rise in prices it was necessary that the farmers make a rise of about 2 cents a pound on the original carcass in order to come out whole in his feeding operations. I may state that in all these figures, Mr. Chairman, we are crediting the steer with all the profit made on pork that is following the steers. That should be remembered, because part of that profit does not belong to the steer; it is credited here because we have no adequate means of dividing this credit.

In the days of the old scale of prices it was necessary that the feeder have a feeding margin; that is, a rise over the price he paid for the original carcass of about 2 cents a pound in order to come out even. We have a great many figures of that kind, and the average for 15 years past is about 2 cents a pound. It happens that the farmers that were feeding during the winter of 1916-17 bought their steers on a fairly low market and happened to sell on a very high market, so the average margin for that year was higher than it has ever been in the history of the cattle business.

On one group for which we have records it was \$3.87—that is, the margin between what he paid for the feeder and what he got for the fattest steer—another \$3.74, another \$3.37; that is, the margin on which they fed that year, 1916-17. This past year, 1917-18, the conditions were reversed. The feeding margin was less and many feeders lost big money. This particular year, 1916-17, the feeders, most of them, made money; for instance, out of 132 feeders in one of these columns, 71 made a profit and only 55 lost money. This past winter those figures will be turned around and changed considerably.

In the year 1914 we made studies of the cost of producing baby beef on 26 farms in the Middle Western States. The following figures give a comparison between these animals and the baby-beef animals studied in 1916-17:

Cost of raising calves, 1914, \$38.27.

Inventory value of calves, 1916-17, \$37.78.

That was what they sold for on the market, where the man went out and bought them.

Mr. HAMILTON. How old was a calf then?

Mr. LASATER. That was an 8 months' old calf in the fall of the year. [Reading:]

Cost of feed, 1914, \$35.11; 1916-17, \$50.45.

Total cost, 1914, \$79.58; 1916-17, \$99.04.

Now, in 1917, taking the market price—not the cost price, but the market price—the stockers there cost \$37.78; cost of feed, \$50.45; total cost, \$99.04.

It will be observed that the producer of the calf got no more for it in 1916 than he did in 1914, but the cost of feed used in fattening these animals increased 43.7 per cent. It is evident that the producers of the stocker calves that sold for \$37.78 in 1916 lost money on them, in view of the high cost of feed in that year.

Now, here are some very important figures, it appears to me. These are figures from ranchers in the plains regions, Oklahoma and Texas mainly. I think that is most important information for the committee, but I won't take your time to read it to you, as I have another table there, and I don't think I will have time to more than discuss it. It deals with results in the corn-belt section.

Mr. LASATER. Now, I would like to make this statement here Mr. Chairman. Ordinarily, we will say, my section of Texas will produce cheaper than the corn belt, on account of our weather conditions, and that applies for the strip of range country from the Gulf of Mexico through to the Canadian line. Our costs have been higher than in the corn belt since the war started on account of the drouth conditions. We have had to ship in this very high-priced feed. We have had light calf crops, and in many instances, losses.

Mr. HAMILTON. What do you mean by feed, corn?

Mr. LASATER. In my country we feed cottonseed products on grass. We feed no corn. We raise the sorghum families, kaffir corn and milo maize—we don't attempt to raise corn, but we can raise grain of the sorghum family, and we do raise it successfully.

Mr. HAMILTON. Has cottonseed as much nutritive value as corn?

Mr. LASATER. It is much higher in protein content than corn. Now, the corn-belt farmers have found that it pays them to ship some cottonseed to feed with their corn. They get better returns from mixing cottonseed meal or cottonseed cake with the corn than feeding corn alone.

Mr. HAMILTON. May I ask you a question there? The cattle growers are not to any extent growing cotton, are they?

Mr. LASATER. I wouldn't say as to any extent. Some of us are. I grow some cotton, but there is no large percentage of cattle growers that do grow cotton. I happen to be in a locality where I can produce stockers or steers for beef, and I am doing some farming and do raise some cotton.

Mr. HAMILTON. Under no circumstances, I assume, were you able to control the price of the cottonseed products that you feed to your cattle?

Mr. LASATER. Well, sir, I will state this; that in times past, in many instances, we have found it to advantage where you can feed on the grass to use your own seed rather than ship in cake and ship out the seed; but the Food Administration ruled against any farmer using his seed for feed, and forced him to market it through the oil mill in order to save the oil.

Mr. HAMILTON. How do you feed that seed when you grow it?

Mr. LASATER. Well, seed is much easier fed than the meal or grain.

Mr. HAMILTON. You don't have to prepare the seed?

Mr. LASATER. No; just feed it whole. We feed it right in the troughs, and in many instances drop it in patches on the turf and it will be licked up. I know it can be fed economically that way.

Mr. STEPHENS. Is there any nutritive value in the oil that the animal eats? Does the oil have any value for feeding purposes?

Mr. LASATER. All the experts claim that there is more oil in the seed than an animal can utilize, and it is a waste to feed it, but when it gets down to a parity of prices it costs you as much for a ton of cake as you get for a ton of seed, and anybody that has had experience with it will feed seed rather than cake. Now, in dairy products you can't use cotton seed in making dairy products because there is too much oil and it makes the butter taste and makes the butter very white, but cotton-seed cake and cotton-seed meal with the oil pressed out are very fine protein feeds for dairy products.

Now, as I have stated, this report of Prof. Spillman only brought the cost of production down to the feed year of 1916-17—that is, the cattle fed in the corn belt that was marketed, we will say, up to June, 1917.

Now, I suggested to Senator Gore that he give me a letter to the Department of Labor, Secretary Wilson. I had noticed that they were running a statistical department and were much interested in keeping cost on the production of food products, and I thought that with the data I could get from Prof. Spillman, of the kinds and quantities of feed used on these average farms that he had studied in the corn belt, that this bunch of economists and statisticians could establish the cost for the spring of 1918, the year just passed. Senator Gore gave me the letter. I called on Secretary Wilson and was referred to his statistical department. Well, the gentleman that I met—I can't at this moment recall his name—told me, "We are much interested in this, but I think we are overloaded with work, but I will take it up with the man in charge and let you know what he says." In a few minutes he came back and stated this: That they were then having a conference between certain economists connected with the War Industries Board and themselves, and that the gentleman, naming him, in charge of the work of the War Industries Board stated that they were much interested in this and thought they might be able to do something for us, and advised me to call the next day at a certain address at the War Industries Board Annex and I would find a party there who would be instructed to take this matter up. I went and met Prof. Stewart and told him what we wanted and what we had. He said he would gladly undertake the work. I arranged for a meeting with Dr. Spillman and Prof. Stewart, and Dr. Spillman furnished us the data that he had, and Prof. Stewart commenced this work, assisted by a Mr. Barber, both connected with the War Industries Board Annex, and I desire, after giving you the history of this, to file it with you. I won't weary you by going into details, but I want to read the summary of this report:

Conclusion:

The net profit per steer of \$12.32 in 1916-17 became a net loss of \$10.47 per steer in 1917-18. This was due very largely to the increase in the cost of feed and especially corn and hay. The price of corn increased from \$1.04 per bushel in 1916-17 to \$1.83 per bushel in 1917-18, an increase of 76 per cent. The price of cattle advanced from \$11.56 per 100 pounds, live weight to 14.56 per 100 pounds, live weight, during the same period as above, an increase of 25 per cent. Other costs, such as initial cost, labor, equipment, interest, marketing, etc., increased, but at a less rapid rate than feed costs. The increase in the initial cost of the feeder was at approximately the same rate as the increase in the selling price of the beef animal.

The paper referred to, follows:

The cost of fattening beef cattle in the corn belt.—The purpose of this report is to furnish an estimate of the costs of producing 2-year-old beef cattle in the corn belt in the year 1917-18. Figures showing actual costs for the preceding year are revised by applying to them the prices of similar materials used during the period under investigation.

The study is based upon reports of actual costs of fattening 9,541 head of cattle on 188 farms in the corn belt during the fattening season of 1916-17, as shown by accompanying Table No. 1:

TABLE 1.—*Fattening 9,541 2-year-old beef animals on corn belt farms, 1916-17.*

Initial cost.....	\$71.94
Feed.....	56.73
Labor.....	3.27
Equipment.....	2.35
Interest.....	3.48
Miscellaneous.....	1.10
Marketing.....	2.30
Gross cost.....	141.17
Credits:	
Pork.....	\$9.70
Manure.....	1.44
Total credits.....	11.14
Net cost.....	130.03

The feed cost of \$56.73 is much the largest of the farm costs. The quantity of each kind of feed is shown in accompanying Table No. 2, and the prices of the corresponding feeds for the year 1916-17 are shown in accompanying Table No. 3.

TABLE 2.—*Kinds and average quantity of feeds given to a 2-year-old steer, 1916-17.*

Corn.....	bushels.....	39.63
Oats.....	do.....	.79
Oil meal (152.52 pounds) ¹	ton.....	.0762
Molasses feed (105.44 pounds).....	do.....	.0527
Gluten (4.17 pounds).....	do.....	.0021
Hay (681.39 pounds).....	do.....	.3407
Silage (1,074.30 pounds).....	do.....	.5371
Straw (275.7 pounds).....	do.....	.1375
Stalks.....	acre.....	.44
Stover.....	do.....	.31
Pasture.....	months.....	2.98

TABLE 3.—*Average price of the different feeds given to 2-year-old steers, 1916-17.*

Corn.....	per bushel.....	\$1.04
Oats.....	do.....	.58
Oil meal and miscellaneous feed.....	per ton.....	5.50
Hay.....	do.....	1.28
Silage.....	do.....	5.95
Straw.....	do.....	3.68
Stalks.....	per acre.....	1.10
Stover.....	do.....	4.85
Pasture.....	per month.....	1.78

Accompanying Table No. 4 shows the cost of each kind of feed used in fattening a 2-year-old steer, together with the percentage of cost which each item bears to the total feed cost.

¹ Includes linseed-oil meal and cottonseed meal.

TABLE 4.—*Cost of the different feeds given to 2-year-old steers, 1916-17.*

	Cost.	Per cent of cost to total cost.		Cost.	Per cent of cost to total cost.
Corn.....	\$40.11	70.52	Straw.....	\$0.51	0.90
Oats.....	.45	.79	Stalks.....	.49	.86
Oil meal and miscellaneous feed.....	3.11	5.47	Stover.....	1.51	2.66
Hay.....	2.20	3.87	Pasture.....	5.30	9.31
Silage.....	3.20	5.62	Total.....	56.88	100.00

We shall assume that the same quantities and qualities of food as were fed to 2-year-old steers in 1916-17 were fed in 1917-18 as shown by Table 2. The prices of the various feeds for the year 1917-18 which were arrived at by the same method as those for 1916 and 1917 are shown in the accompanying Table No. 5.

TABLE 5.—*Average price of different feeds given to 2-year-old cattle, 1917-18.*

Corn.....	per bushel..	\$1.83
Oats.....	do.....	.78
Oil meal and miscellaneous feed.....	per ton..	47.33
Hay.....	do.....	20.53
Silage.....	do.....	9.42
Straw.....	do.....	5.52
Stalks.....	per acre..	1.65
Stover.....	do.....	7.28
Pasture.....	per month..	2.50

By applying the feed costs, as shown in Table 5, to the quantities of various feeds that were fed, as shown in Table 2, we get the feed costs for the year 1917-18 as shown by accompanying Table No. 6.

Cost of the different feeds given to 2-year-old steers, 1917-18.

	Cost.	Per cent of cost to total cost.		Cost.	Per cent of cost to total cost.
Corn.....	\$72.52	73.23	Straw.....	\$0.76	0.77
Oats.....	.62	.63	Stalks.....	.73	.74
Oil meal and miscellaneous feed.....	4.15	4.22	Stover.....	2.26	2.30
Hay.....	4.85	4.93	Pasture.....	7.45	7.57
Silage.....	5.05	5.13	Total.....	98.39	100.00

The increase in the labor cost of 1917-18 over 1916-17 is conservatively estimated at 50 per cent. This, applied to the labor cost as shown in Table I, \$3.27, gives a labor cost for 1917-18 of \$4.91.

Equipment, which includes farm machinery, buildings, etc., cost \$2.35 per steer in 1916-17. If we estimate the life of equipment at 10 years and allow for a 40 per cent increase in the cost of building materials and farm machinery, the equipment cost for the year 1917-18 would be \$2.46.

The interest rate, which did not keep pace with the increase in other costs during the period under consideration, increased at least one-half of 1 per cent, which would make the interest cost of \$3.48 for 1916-17 rise to \$3.77 for 1917-18. The miscellaneous costs of \$1.10 have been treated as constant for the two years.

Marketing includes freight charges and commissions. Freight rates have increased in the neighborhood of 25 per cent. Commissions are based upon the selling price of the cattle, being a certain rate per cent of the selling price. Since the selling price of beef cattle has advanced approximately 50 per cent between October, 1916, and October, 1917, the commissions must have increased accordingly. The marketing cost for 1917-18 is conservatively estimated at \$3.30. It was \$2.30 for 1916-17.

The pork credit for 1916-17 was \$9.70. The pork is marketed at different months during the winter and spring. If we take an average price for the six months, October to March, for 1916-17, and compare it with the same period for 1917-18, we find that hogs, packers, advanced in price 48 per cent. Applying this percentage to the pork credit for 1916-17, we have a pork credit for 1917-18 of \$14.36.

The manure credit for 1916-17 was \$1.44. If we allow for a 20 per cent increase in value, the manure credit for 1917-18 is \$1.73.

The costs enumerated above, including the initial cost, taken from the Drover's Journal, for the year 1917-18 are shown in the accompanying Table No. 7.

TABLE 7.—*Fattening 9,541 2-year-old beef animals on corn-belt farms, 1916-17 and 1917-18.*

	1916-17	1917-18		1916-17	1917-18
Initial cost.....	\$71.94	\$91.86	Credits:		
Feed.....	58.73	98.39	Pork.....	\$9.70	\$14.36
Labor.....	3.27	4.91	Manure.....	1.44	1.73
Equipment.....	2.35	2.46			
Interest.....	3.48	3.77	Total credits.....	11.14	16.09
Miscellaneous.....	1.10	1.10			
Marketing.....	2.30	3.30	Net cost.....	130.03	189.70
Gross cost.....	141.17	205.79			

The selling price of the 9,541 steers in 1916-17 was \$142.35; the average price was \$11.56 per 100 pounds, live weight; and their average weight was 1,231 pounds. The net cost, as shown by table 7, was \$130.03, leaving a net profit of \$12.32 per steer. The selling price per steer in 1917-18 was \$179.25 and the average price was \$14.56 per 100 pounds, live weight. The net cost, as shown by table 7, was \$189.70. The net loss was \$10.47 per steer. (See table 8.)

TABLE 8.—*Net profit or net loss per steer on 2-year-old beef cattle in 1916-17 and 1917-18.*

	1916-17	1917-18
Selling price.....	\$142.35	\$179.25
Net cost.....	130.03	189.70
Net profit.....	12.32	¹ 10.47

¹ Shows net loss.

CONCLUSION.

The net profits per steer of \$12.32 in 1916-17 became a net loss of \$10.47 per steer in 1917 and 1918. This was due very largely to the increase in the cost of feed and especially corn and hay. The price of corn increased from \$1.04 per bushel in 1916-17 to \$1.83 per bushel in 1917-18, an increase of 76 per cent. The price of cattle advanced from \$11.56 per hundred pounds, live weight, to \$14.56 per hundred pounds, live weight, during the same period as above, an increase of 25 per cent. Other costs, such as initial cost, labor, equipment, interest, marketing, etc., increased, but at a less rapid rate than feed costs. The increase in the initial cost of the feeder was at approximately the same rate as the increase in the selling price of the beef animal.

Now, I want to call your attention to the fact that this seems to have been a most careful study. In this pamphlet I have just read of Dr. Spillman, he gives a summary of it and doesn't give the de-

tails, but these tables here were gotten up from exactly the same data that Dr. Spillman got up that table. He furnished his data to Prof. Stewart, of the War Industries Board Annex.

The packers, in testifying before you gentlemen, thought that there was a criticism due to the Federal Trade Commission, and naturally they inferred, led you gentlemen to infer, that if the live-stock interests were responsible by their agitation for that report, that it ought to reflect on them that there was no study before the country showing costs of live-stock production. Now, I submit that from my point of view that we, as representing in some degree the live-stock interests of the country, did everything that could be done to get and supply to the country all the data that could be furnished, so far as live-stock production is concerned. Now, I went to the Department of Labor and to the War Industries Board, and you gentlemen know that if they would try, could be influenced at all, that they would see things from the viewpoint of the consumer and not of the producer. I don't charge it was done; I don't think it was done, because I think if you gentlemen will have them before you, both Prof. Stewart and Mr. Barber, you will find them capable men, men that undertook to do in a painstaking way what they thought was a job that might be worth while to the country.

Mr. HAMILTON. You referred to corn there, \$1.83. Is that per bushel?

Mr. LASATER. Per bushel; yes, sir.

Mr. HAMILTON. Per bushel of ears, or shelled corn?

Mr. LASATER. I suppose that would be 56 pounds of shelled corn.

Mr. HAMILTON. How many pounds of corn in the ear does it take to make a bushel of shelled corn, do you know?

Mr. LASATER. I am not from a corn State, sir, and not a farmer. I think probably Mr. Stephens might give you that.

Mr. STEPHENS. It is sold by weight, 70 or 80 pounds to the bushel, according to the amount of moisture in the ear.

Mr. HAMILTON. I didn't quite catch that.

Mr. STEPHENS. There are 70 or 80 pounds per bushel, according to the amount of moisture that is in the corn before it is shelled.

Mr. SANDERS. Sixty pounds of shelled corn make a bushel.

The CHAIRMAN. Fifty-six pounds of shelled corn is my recollection.

Mr. SANDERS. No; 60.

Mr. LASATER. Now, Mr. Chairman, I ask to be allowed to introduce here a certain account, sales of cattle, that I think tends to disprove much that was stated before this committee by the packers, who have occupied about two weeks of your time.

On August 12, 1918, Landergen Bros., of Amarillo, Tex., sold through the Drumm Commission Co. to Armour & Co., 142 steers, price \$15.10 per hundred; steers weighing 1,075 pounds net per head, \$159.42. On August 19 they had a second shipment in St. Louis, at the National Stock Yards. These cattle were offered in Kansas City and not sold and were forwarded on to St. Louis. These are the same class cattle as ones previously sold in Kansas City, 162 head, weighed in St. Louis, 1,029 pounds, and the average net was \$128.74 the price they brought, \$13, with the exception of one steer, which sold at \$9 a hundred pounds. St. Louis is nearer the consuming centers, and naturally the steers should have brought more money, but

it shows a decrease in price from August 12 to August 19 of \$2.10 a hundred in addition to freight and shrink. That is last year, when we are supposed to have stabilized the live-stock market.

Mr. HAMILTON. They were fed en route?

Mr. LASATER. There was no feeding between Kansas City and St. Louis.

Mr. HAMILTON. They were fed in the yard, and that feed is very expensive.

Mr. LASATER. Of course, they had an additional cost all along the line. You see the net was \$128.74, and on the first bunch net the grower got \$159.42.

Mr. STEPHENS. Nearly \$30.

Mr. LASATER. \$30 a head, practically. Mr. Landergin had planned to be here, and I had requested him to be here, but on account of storms in the Pan Handle of Texas and western Kansas, where he is wintering cattle, he found he could not leave his work, so he is not here. But Mr. Landergin made this statement to me when I last met him, and these account sales were sent by Mr. Landergin's commission company to me here at Mr. Landergin's request. Mr. Landergin stated to me that when the market broke to that extent something over \$2 a hundred, he could see nothing to justify it, so he decided to see if there was not some way by which he could improve his situation. There is an independent packing plant in Kansas City, known as the Ruddy Packing Co. Ruddy has not been able to finance himself properly, so John Landergin told me he made this proposition with Tom Ruddy: "I will price my steers to you, and if you agree to buy them I will carry them for you until you have a chance to sell your product and get returns on them," and so he not only sold these two shipments, but sold others during the shipping season. In every instance Ruddy showed a profit on the cattle purchased, and accounted to Mr. Landergin for the purchase price. These are the same class of cattle.

On August 21 Ruddy bought 167 head of Mr. Landergin—this is in Kansas City, now, not St. Louis—at 14½, with the exception of one, which sold at 13½, weight 1,074 pounds, net, \$149.78. That is \$21 a head more than these steers netted Mr. Landergin that were sold at St. Louis to Armour & Co. He stated to me that Ruddy showed he made a profit of \$7 a head on that bunch of steers.

The CHAIRMAN. How much time had elapsed?

Mr. LASATER. This was from August 19 to August 21.

Mr. SANDERS. Two days.

Mr. STEPHENS. Is that \$7 comparable with the 9 cents a head Mr. Wilson claimed he made?

Mr. LASATER. In no way.

Mr. SANDERS. Is it on the same basis?

Mr. LASATER. Yes; of course that included Ruddy's total profits, but the packer can not be talking about the total profits. He claims to make only a dollar a head. That is absolutely absurd.

Mr. ESCH. What was the freight between Kansas City and East St. Louis?

Mr. LASATER. We can find that; I can not give it from memory but it will show here. It gives freight and yard charges \$357.90, which would average on 162 head.

Mr. ESCH. Practically \$2 a head.

Mr. LASATER. Practically \$2 a head from Kansas City to St. Louis. Now, on August 26 there was another bunch of steers sold by Mr. Landergin to the Ruddy Packing Co. under the same terms. These steers, 260 head, averaged 1,044 pounds and netted Landergin \$145.66, bringing 14½ through per head, Kansas City. Now, Mr. Swift was insistent on assuring you gentlemen that the grower was a party to the trade; he knew more or less what he was going to get when he shipped his stuff to the market. I produce the account sales and dates filed showing that this man has made a difference of practically \$30 a head within a week's time.

Mr. SANDERS. From the 12th to the 19th?

Mr. LASATER. From the 12th to the 19th, a week's time, and that could not have been what the value of the steer was, because here is an independent buyer that comes in and pays between \$10 and \$20 a head more for the cattle than Mr. Armour was paying, who was not able to work his plant to capacity on account of not being able to finance it, must have had an overhead expense very much larger in proportion than Mr. Armour had and still shows a net profit much larger than Mr. Armour claims to make.

Now, gentlemen, I want to call your attention to what the facts that I have attempted to present to you have done to the live-stock industry of the Nation. I have here the total slaughter of cattle of the United States, or rather this gives the inspected slaughter from 1911 up to 1918, but having the inspected slaughter and the Department of Agriculture figures of per cent of inspected slaughter to total slaughter, it is easy to arrive at the total slaughter in the United States. These statistics show that since 1914 the slaughter of calves has more than doubled; that is, taking the slaughter in 1914 as compared with the slaughter in 1914, we have increased our slaughter of calves a little over 100 per cent. That is the total slaughter in the United States.

The CHAIRMAN. What ages do you mean?

Mr. LASATER. Anything under a yearling.

The CHAIRMAN. That was my understanding, but I wanted to be sure about it.

Mr. LASATER. Anything under a yearling. It shows that for the past two years, 1917 and 1918, we have increased our slaughter of cattle more than 4,000,000 head per year, more than the average slaughter of the five years prior to 1916. This great push of cattle to the central markets of the country commenced in 1916, but it did not get its full swing until 1917, and there was a still larger volume in 1918. The Department of Agriculture and every governmental agency have for years been impressing upon the country the necessity of increasing its cattle. Their reasoning is sound; they ought to have been increased; and that live-stock production had in no way reached its limit of production is shown by what the farmer was able to do with hogs the year just passed. It looks to me like it is perfectly plain that the combination of packer and food administrator has had its effect upon the morale of the live-stock producer of the country.

Now, I am going to ask you to permit me to read into the record a short statement in Wallace's Farmer of January 3, 1919, on the cattle supply. [Reading:]

An Iowa correspondent writes:

"From time to time I note in your editorials a feeling of skepticism concerning the scarcity of cattle. I would like to have your straightforward opinion on this subject."

So far as Wallace's Farmer is informed, there are no thoroughly reliable statistics available as to the cattle supply either of the United States or of the world. As for the United States, the only statistics are those prepared by the Department of Agriculture, and no one knows whether these are trustworthy or not. In the past, at times, they seem to have been borne out by later marketings. At other times they have been very far out of line with the census figures of the same year. Notwithstanding the statements which have been made with such reckless abandon by some who have assumed to speak with knowledge, the Department of Agriculture figures indicate a greatly increased number of cattle in the United States. The department reports 56,592,000 cattle in the United States on January 1, 1914, and 66,830,000 on January 1, 1918, a very large increase. And we suspect that these figures indicate the true situation, mainly because, in view of all of the conditions, an increase in cattle would seem to be logical.

From the time we entered the war a great many people, some of them in positions of responsibility and some not, have talked most recklessly concerning the wholesale killing off of the cattle herds of Great Britain, France, Russia, and Germany, and have argued from this that the farmers of the United States should exert themselves to increase their own cattle herds. These oracles have held out as one reason for such increase the expectation of selling breeding stock in large numbers to Great Britain and Europe—purely visionary expectation.

"Reliable figures from these countries are about as difficult to obtain as from the United States, but such as we have show that there has not been any such wholesale killing off of cattle as we have been told. In July, 1918, the British minister of agriculture, in an address, stated that there were then more than 300,000 more cattle in Great Britain than in 1914. The United States Food Administration last fall published what purported to be an official statement from France, which showed that the number of cattle in that country had decreased from 14,000,000 in 1914 to 12,000,000 in 1918, but this decrease did not indicate any lessening of cattle production in France. It would not more than account for the French cattle which were stolen by the Germans in that part of France which they had invaded. And we are told that the French are now increasing their cattle.

"Apparently, war conditions in both France and England did not discourage the production of cattle. This also seems logical. War conditions put a premium upon the production of grain and, therefore, discourage the production of hogs, which are grown mainly on grain, and also the old-time fattening of cattle. By the same reasoning, war conditions seem to encourage the production of cattle to consume the rough feed which would otherwise go to waste.

"Most extravagant statements are made as to the reduction of cattle in Russia, but we absolutely disbelieve these statements which indicate a wholesale reduction in their cattle. It is our opinion that if there has been any marked change in the number of cattle in Russia, it has been an increase rather than a decrease.

"We reach this opinion simply from the logic of the situation. The unsettled conditions in Russia do not make for the heavy marketing of cattle, but quite the contrary. In a country torn by revolution, transportation and packing conditions tend to hold the cattle back in the country. As for Germany and Austria, we see no reason to suppose that cattle production in either of these countries has been influenced differently than in France and Great Britain.

"To sum it up, therefore, we give it as our opinion—and it must be understood that this is nothing but an opinion—that there is no great scarcity of cattle in either the United States or Europe, and that the man who is straining himself to increase his cattle, in anticipation of a great shortage, is likely to be disappointed.

"It is quite true that the people connected with the central markets, whether as commission merchants, stockyards owners, or packers, or men connected with market papers, are talking freely of a cattle shortage. It is just as well to remember that the opinions of such people are likely to be biased, perhaps unconsciously. It is to the advantage of all of these folks who are interested in the central markets, directly or indirectly, that there shall be a large supply of live stock at all times. The greater the number of cattle and hogs that go to market, the more money there is for those who are connected with the operation of these markets. We are not saying that any of them would deliberately misrepresent the facts; but all of us are more or less unconsciously biased by our own interests.

"The farmer and ranchman in the western cattle country is going to keep the fullest possible number of cattle on his land, because that is all it is good for, and he is going to do this without much regard to prices, because if the grass is not eaten it goes to waste. The farmer in the humid section is going to keep just as many cattle as he needs to consume his roughage. He can afford to sell his grain in the form of cattle and hogs, even if he gets no more for it than he would get as grain, because when he feeds it to stock he retains a larger amount of fertility on his farm.

"It is pointed out that probably the increase in cattle is not enough to keep up with the increase in population, and therefore cattle prices should be high. But the higher cattle prices are the less beef people eat. During the past four years there has been a tremendous reduction in the amount of meat consumed per capita in the meat-eating countries. Therefore it is not safe to increase the cattle supply simply because we may have fewer now in proportion to population than we had 10 or 20 years ago. Our suggestion is that the corn-belt farmers should keep their normal number of cattle for the purpose of consuming their roughage, but should be very slow to make any considerable increase in numbers."

Now, gentlemen, I have shown here by the statistics brought down by the War Industries Board experts that there was a loss in the cattle marketed in the feeding season of 1917-18, and I want to state that those statistics do not take into consideration the highly finished cattle. It was the highly finished cattle that stood the heavier loss from November, 1917, up to May, 1918. Now, when you analyze the situation, I have shown you the excessive marketing of cattle in this country in 1917 and 1918. You will find that hundreds of thousands, not hundreds of thousands, they will run into the millions, of immature steers and breeding cattle have gone into the can. As the result of the discouragement that the feeders had to face on the returns from their business in 1917 and 1918, and of the discouragement that those that produced stockers have received since June of last year, there has been no let-up in the continued run of cattle to the big markets. It is shown that the country had been unloading. Now, the way the Food Administration manipulated the markets it enabled England to feed her people at the expense of the farmers of the United States. I believe in this war; I was in favor of it, and I was in favor of the United States bearing its fair proportion, but if the allies needed financial help it should have been given by the whole Nation and not by taking an unfair advantage of a part of the Nation, and I claim that that unfair advantage was taken by the Food Administration. It is not a surmise; it is a reality, and if you go into it you will establish the fact. I thank you for your attention. I would like to ask permission to insert these account sales in the record.

The CHAIRMAN. That will be done.

(The papers above referred to are copied in the record in full, as follows:)

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1527

A. Drumm, Pres. M. L. McClure, Vice Pres. Frank Standish, Treas. E. W. Houx, Secy.

DRUMM COMMISSION CO.,
Incorporated.
Live Stock Salesmen and Feeder Buyers.
Capital. \$500,000.

Directors:
A. Drumm. J. M. Lobaugh.
M. L. McClure. R. B. Masterson.
E. W. Houx.

Kansas City. Chicago. St. Louis.

Account sales of 141 cattle—Sold for account of Landergin Bros.

KANSAS CITY, Aug. 12, 1918

P. O. Station Soldania, Okla. R. R. S. Fe. 8:12. 7.25 a. m.

Purchaser.	Cattle.	Hogs.	Sheep.	Weight.	Sows.	Stags.	Deck.	Price.	Amount.	Total.
Armstrong.....	51	st.	54,680	\$15.10	88,266.08	\$22,000.00
Do.....	57	st.	.....	61,740	.....	.....	.....	15.10	9,322.74
Do.....	33	st.	.....	35,800	.....	.....	.....	15.10	5,360.50
	141	.....	.....	151,920	.....	.....	.....	.....	.....
	1	st.	.....	810	Subject acc. sale later.			.....	.....
	142	.....	.....	152,720	.....	.....	.....	.....	.....

Average weight, 1,073.
Average per head, \$150.43.

Car.	R. R. weight.	Weight charged.	Rate.	
1	24,500	20 1/2	Insurance 80.00
1	24,500	20 1/2	50.23
1	24,500	20 1/2	50.23
1	24,500	20 1/2	50.23
1	24,500	20 1/2	50.23
1	24,500	20 1/2	50.23
				War tax 9.06
				311.04

Freight and back charges..... \$311.04
Yardage..... 35.25
Inspection.....
Hay, 675 pounds..... 10.12
Corn, bushels.....
Commission..... 98.70
455.12

Net proceeds..... 22,484.80
Disposition of proceeds:
Cr. acct.

1528 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

A. Drumm, Pres.
M. L. McClure, Vice Pres.
St. Louis.
Kansas City.
Chicago.

DRUMM COMMISSION CO.,
Incorporated,
Live Stock Salesmen, Feeder Buyers.
Capital \$500,000.00.

NATIONAL STOCK YARDS, ILL.,
Aug. 19, 1918.

E. W. Houx, Secy.
Frank Standish, Treas.
C. C. Holcomb,
St. Louis manager
Phones:
Bell Bridge 193.
Kinloch St. Clair 1112.
Hog House-Bell East 2068.

Acct. sales of ---- cattle, ---- calves, ---- hogs, ---- sheep—sold for account of
Graham and Shidler, acct. Landergin Bros.

P. O. Station Kansas City. R. R. Mo. Pc.

Purchaser.	Cattle.	Calves.	Hogs.	Sheep.	Weight.	Stags.	Sows.	Dock.	Price.	Amount.	Total.
Armour.....	145 s.	149,950	\$13.00	\$19,493.50	\$21,370.00
Do.....	11 s.	.....	.....	.....	10,910	.....	.....	.....	13.00	1,418.30
Do.....	6 s.	.....	.....	.....	5,100	.....	.....	.....	9.00	459.00
	162	.....	.....	.....	165,960	.....	.....	.....	.....	.....

Average weight 1,024.
Average per head \$123.74.

No. Cars.	Weight.	Rate.	Freight.
16	23	20½	\$47.15
	137,400	20½	281.70
War tax.....			10.36
Shippers' Protective League 5 cents.....			.35
Insurance in yards (12 cents per car).....			.84
Switching (per car)...			17.50
			357.90

Freight and back charges.....	\$357.90
Yardage.....	50.50
Inspection.....	
Hay, 1,200 pounds.....	18.00
Straw, bales.....	
Corn, bushels.....	
	426.40
Commission.....	97.20
	513.00
Net proceeds	20,857.20
Cash.	

Disposition of proceeds:
K. City Office.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1529

A. Drumm, Pres. M. L. McClure, Vice Pres. Frank Standish, Treas. E. W. Houx, Secy.
DRUMM COMMISSION CO.,
Incorporated, A. Drumm. J. M. Lobaugh.
Live Stock Salesmen and Feeder Buyers. M. L. McClure. R. B. Masterson.
Capital, \$600,000.00. E. W. Houx.
Kansas City. Chicago. St. Louis.

KANSAS CITY, Aug. 21, 1918.

Account sales of 167 cattle, -- calves, -- hogs, -- sheep--Sold for account of
Landergin Bros.

P. O. Station Soldani, Okla. R. R. S. Fe. 8/21, 10.50 a. m.

Purchaser.	Cattle.	Hogs.	Sheep.	Weight.	Sows.	Stags.	Dock.	Price.	Amount.	Total.
K & L.	52 st.			56,500				14 1/2	\$8,051.25	
Do.	28 st.			40,770				14 1/2	5,809.72	
Do.	55 st.			58,840				14 1/2	8,384.70	
Do.	21 st.			22,300				14 1/2	3,186.30	
Do.	1 st. L. J.			920				14 1/2	121.90	
	167			179,390						\$26,553.87

Average weight, 1,074.
Average per head, \$149.78.

Car.	R. R. weight.	Weight charged.	Rate.		
				Insurance, 30.70	Freight and back charges..... \$367.29
1		24,800	20 1/2	50.84	Yardage..... 51.75
1		24,800	20 1/2	50.84	Inspection.....
1		24,800	20 1/2	50.84	Hay, 750 pounds..... 13.13
1		24,800	20 1/2	50.84	Corn, bushels.....
1		24,800	20 1/2	50.84	Commission..... 116.90
1		24,800	20 1/2	50.84	
1		24,800	20 1/2	50.84	
				War tax, 10.71	Net proceeds..... 25,014.80
				367.29	Disposition of proceeds:
					Cr. acct.

1530 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

A. Drumm, Pres. M. L. McClure, Vice Pres. Frank Standish, Treas. E. W. Houx, Secy.

DRUMM COMMISSION CO.

Directors:

Incorporated. A. Drumm. J. M. Lobaugh.
Live Stock Salesmen and Feeder Buyers. M. L. McClure.
Capital \$500,000.00. R. B. Masterson.
Kansas City. Chicago. St. Louis. E. W. Houx.

KANSAS CITY, Aug. 26, 1918.

Account sales of 260 cattle, -- calves, -- hogs, -- sheep--sold for account of Landergin Bros.

P. O. Station Soldani, Okla. R. R. S. Fe. 8/26, 8.35 a. m.

Purchaser.	Cattle.	Hogs.	Sheep.	Weight.	Sows.	Stags.	Dock.	Price.	Amount.	Total.
Buddy.....	55 st.	57,700	\$14. 25	\$8,222. 25	\$38,694. 45
Do.....	46 st.	.....	.....	47,700	.....	.....	.....	14. 25	6,797. 25
Do.....	51 st.	.....	.....	54,440	.....	.....	.....	14. 25	7,757. 70
Do.....	43 st.	.....	.....	44,040	.....	.....	.....	14. 25	6,275. 70
Do.....	65 st.	.....	.....	67,660	.....	.....	.....	14. 25	9,641. 55
	260	.....	.....	271,540	.....	.....	.....	.....	.....

Average weight 1,044.
Average per head \$145.66.

Cars.	R. R. weight.	Weight charged.	Rate.		
5	(24,000)	120,000	20 1/2	Insurance.. \$1. 10	Freight and back charges... \$554. 78
6	(23,700)	142,200	20 1/2	248. 00	Yardage..... 65. 00
				291. 54	Inspection.....
				War tax.... 16. 14	Hay, 1,200 pounds..... 21. 00
				554. 78	Corn, bushels.....
					Commission..... 182. 00
					822. 78
					Net proceeds..... 37,871. 67
					Disposition of proceeds:
					Cr. Acct.

Mr. SANDERS. I want to ask you a few questions. I want to ask you for some information about the Food Administration. How many months were you connected with it?

Mr. LASATER. From about July 25 to November 9.

Mr. SANDERS. There has been a great deal of talk that the men in charge of the Meat Division, for instance, of the Food Administration, or quite a number of them, were employees of the packers. Do you know anything about that?

Mr. LASATER. I noticed that was shown by the records, by certain letters copied in the hearings of the Federal Trade Commission. I believe I have the record right here. Would you permit me to turn to it?

Mr. SANDERS. I do not want you to make a list of them. I just want to know if you know any of them yourself.

Mr. LASATER. Mr. Brooks, whom I mentioned this afternoon, was an employee of Swift & Co., drawing \$9,000 a year. Mr. Collins—I do not remember his initials—was also an employee of one of the subsidiaries of Swift & Co., Libby & Co. My recollection is that he was drawing \$9,600 a year.

Mr. SANDERS. From whom?

Mr. LASATER. From Libby & Co., and a hundred per cent of Libby & Co. is owned by Swift. There was one other party whose name has escaped from me now, who was prominently identified with the Food Administration. I would like to state here one matter that I

have not stated. It looks to me like it is pertinent to the situation that we are inquiring about. Prior to the licensing of the big packers, a Mr. Harry A. Wheeler was appointed to represent the Food Administration to sit in with the packers, as the term was, so as to avoid any prosecution from the Sherman antitrust law. Harry A. Wheeler is a banker of Chicago. I do not remember just which bank, but my understanding is it is one of the packer banks of Chicago, and he is also president of the Chamber of Commerce of the United States that formulated the charges against the Federal Trade Commission when this report was made. It gained wide publicity. I know that Mr. Harry A. Wheeler's appointment to this position was requested of Mr. Requa by Mr. Meeker, of Armour & Co., and that it was made, and that he did represent the Food Administration, and the packers, as a matter of fact, were consolidated into one concern during the month of August by the Food Administration by that action.

Mr. SANDERS. Mr. Armour testified before us here that there were none of his people employed in any connection whatsoever with the Food Administration. Do you know whether that is a fact or not?

Mr. LASATER. I could not say whether that is the fact.

Mr. SANDERS. Do you know whether Mr. Morris had any of his men in the Food Administration?

Mr. LASATER. No; I do not.

Mr. SANDERS. Do you know whether Mr. Wilson had any?

Mr. LASATER. Mr. Wilson himself, you know, was prominently identified with the Food Administration.

Mr. SANDERS. What Wilson was that?

Mr. LASATER. The man that testified here—Thomas Wilson.

Mr. SANDERS. The president of the Wilson Packing Co.?

Mr. LASATER. Yes. He was head of this committee on packing plants, and I understood that assisted the Food Administration in arriving at the prices to be fixed, etc.

Mr. SANDERS. Did the Cudahy Packing Co. have any one in the Food Administration?

Mr. LASATER. Not that I know of.

Mr. SANDERS. Let us find out about Mr. Requa. What was his business before he got into the Food Administration?

Mr. LASATER. I had understood that Mr. Requa's business was that of a mining engineer, that he was from California, an acquaintance of Mr. Hoover, and Mr. Hoover brought him here to assist in this work. Later I have understood Mr. Requa had been and was quite a large oil operator, but the details of that I am unable of my own knowledge to give.

Mr. SANDERS. Are you acquainted with Mr. Rolph?

Mr. LASATER. I met Mr. Rolph just before I left the Food Administration, but I would not be able to give much information about him.

Mr. SANDERS. What was his business before he was connected with the Food Administration?

Mr. LASATER. My understanding was he was connected with the refining industry on the Pacific slope.

Mr. SANDERS. Sugar refining on the Pacific coast?

Mr. LASATER. That was my understanding; yes, sir.

Mr. SANDERS. Did you ever meet Mr. Earl, one of his assistants in the shipping division?

Mr. LASATER. I may have met him casually.

Mr. SANDERS. You do not know what his business was before he went there?

Mr. LASATER. No; I do not. Now, I would like to state that Mr. Priebe, about whom there has been quite a little publicity, was in charge of the poultry division of the Food Administration. He is manager of W. F. Priebe & Co., and the stock of Priebe is owned by Swift & Co., and he draws, my recollection is, \$275 a month and 25 per cent interest in all profits after 7 per cent is deducted for interest on capital used.

Mr. SANDERS. Are any of these gentlemen you mentioned just recently, including this man, generally what are known as dollar-a-year men?

Mr. LASATER. My understanding is that they all were dollar-a-year men.

Mr. SANDERS. They got \$1 from the Government?

Mr. LASATER. Yes, sir; they were supposed to be giving their services to the Government.

Mr. SANDERS. I was very much interested in that portion of your testimony wherein you stated the gift to the allies was a burden placed upon the shoulders of the producers. Do you mean by that that the farmers of America were forced by the Food Administration to sell their product to the allies—

Mr. LASATER. That is, they sold to the packers at less than cost of production, and the Food Administration—the officer who handled that division, Mr. Cotton—knew the producer was getting less than the cost of production.

Mr. SANDERS. You were speaking then primarily of the cattle industry?

Mr. LASATER. Of the cattle industry; yes, largely.

Mr. SANDERS. Do you know whether, of your own knowledge, that would apply to any of the other industries of the country?

Mr. LASATER. No; I do not of my own knowledge.

Mr. SANDERS. Do you know anything about the views existing in the Food Administration on that?

Mr. LASATER. I would like to make one statement right here; I may forget it if I do not make it now. I have stated Mr. Pinchot was my colleague in the live-stock department, Gifford Pinchot, of the Food Administration. Mr. Pinchot had a wide acquaintance with the allied French and English representatives in Washington. In discussing this matter of live-stock prices Mr. Pinchot came in contact with many of these people. He told me he found them all interested in seeing that there was a fair price paid to the farmers of America, that the position that they all took was that this country and the allies could not afford to chance not having the food supplies, that they all favored this arrangement, and were willing to enter into agreement with the Food Administration to have meat products at cost plus a reasonable profit, the prices to be arrived at by such agencies as Mr. Hoover might think wise.

Mr. SANDERS. Do you remember Congress fixed the price of wheat?

Mr. LASATER. I do; yes, sir.

Mr. SANDERS. Was it or was it not your idea—I have heard you testify, but I want to get it straight in my own mind—that in the fixing of prices by the Food Administration the Food Administration ought to have taken the price of wheat as a basis and then coordinated other farm products to correspond thereto. Was that what you thought would be wise and proper?

Mr. LASATER. That is what I thought was wise; yes, sir. In other words, I do not mean to say that that was the intent of Congress. You gentlemen are better prepared to speak on that than I am, but I felt that was the only way that you could do justice to all sections of the country.

Mr. SANDERS. In other words, take the price Congress had fixed on wheat and then proceed upon that price as a basis of fixation of other farm products corresponding thereto?

Mr. LASATER. That was my idea. If it had been done at that time, I do not mean to say that exact justice could have been done, but we would have all been on a reasonable parity, and no great injustice would have been done to anybody.

Mr. SANDERS. I urged that myself upon the Food Administration, so I wanted to find if you had the same idea. Had that been done at the very beginning, when Congress first fixed the price of wheat, would not a great deal of trouble that has arisen over the administration of the Food Administration been avoided?

Mr. LASATER. I thought so, and I so stated in that letter to Mr. Requa that I read this morning. It was written December, 1917. That is the position I took at that time.

Mr. SANDERS. As a matter of fact then, from your investigation and your testimony, you want us to believe that your conclusions are that the purpose of the Food Administration was to keep down the price paid to the producer?

Mr. LASATER. That was the purpose of Mr. Hoover—I do not think that that was the purpose of the bill—creating the Food Administration. I never gathered that from the bill at all. But there is no question what Mr. Hoover's intent was, from the fact that he made the representations he did as to cattle supplies for the allied world. I want to state that the statistical department of the Food Administration had no part in getting out the statistics that Mr. Hoover handed out to the country. Dr. Perl refused to make the showing desired by Mr. Hoover. Those statistics that were handed out to the country were prepared by Mr. Hoover and Dr. Alonzo Taylor cooperating with him.

Mr. SANDERS. You conclude that it was Mr. Hoover's purpose to keep the price paid to the producer as low as possible?

Mr. LASATER. I do not think there can be any question about that.

Mr. SANDERS. You evidently think there has been a tremendous difference between the price the packer has paid to the producer of live stock and the price that he charged for the finished product to the consumer.

Mr. LASATER. I do not think there is any question about that.

Mr. SANDERS. I notice in the testimony of the packers that they say their profits are 9 per cent, which profits have been permitted to them by the Food Administration. Is that the limits of their profits on their business?

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Mr. SANDERS. I notice in the testimony of the packers that they say their profits are 9 per cent, which profits have been permitted to them by the Food Administration. Is that the limits of their profits on their business?

Mr. SANDERS. To get that down absolutely, so I can understand it, all of these packers before us in this examination have strenuously denied that they either could or would fix the price of cattle. Now, I understand that in conferences with you and the other cattlemen they do not deny that they do fix the prices of cattle?

Mr. LASATER. That was in 1916. Prior to that time they had denied it always, but in the three conferences we had at Fort Worth—the first, I think, in May and then two in Chicago—they did not deny the ability to do that; but, as I say, they simply said they were fair to the producers.

Mr. SANDERS. They merely stated they would give you a fair price, but admitted they had the power to fix the price?

Mr. LASATER. To fix the price?

Mr. SANDERS. . I did have one other question I wanted to ask, but with the permission of the chairman I will let that pass for the present.

The CHAIRMAN. If it occurs to you later on, you can ask a further question, Mr. Sweet.

Mr. SWEET. What is the extent of the work done by the Agricultural Department for the purpose of ascertaining the cost of live stock to the producer since the letter written by the President to the Federal Trade Commission?

Mr. LASATER. All that I am able to state is what I put in the record; that my information was that that work was undertaken by the department of Farm Management, Dr. Spillman in charge, last August; that in October it was discontinued, and that Dr. Spillman did not receive orders to reinstate the work until about the middle of January; after the middle of January and from that time he made certain reports; on July 12, I think, he states. That is all I know that was done, or all I know of the situation.

Mr. SWEET. Have you endeavored to find out what has been done in that connection?

Mr. LASATER. Yes; I have stated all I could find out. I have given certain telegrams from the Secretary, and I have given a letter from Dr. Spillman, as well as a certain interview that I had with Dr. Spillman, and I have no other information than that from the Department of Agriculture.

Mr. SWEET. Why, in your opinion, did the Secretary of Agriculture discontinue the work in this connection?

Mr. LASATER. It seemed to me that his statement to Dr. Spillman could have been the only reason actuating him; that from his standpoint it was not wise to establish the cost of production before the country; that we wanted the production regardless of what it might cost the farmer.

Mr. SWEET. Would it have been of great benefit to the country and the producers to have had figures along that line at the time the Food Administration came into operation?

Mr. LASATER. That was the position we took in the matter, and I certainly think it would have been of great benefit to us, and I think it would have been not only of benefit to the producers but to the consumers, because, I think, a great deal of this unkind criticism of the producer would have been avoided if the consumers could have known the situation as established by some governmental agency.

Now, I am going to ask you to permit me to read into the record a short statement in Wallace's Farmer of January 3, 1919, on the cattle supply. [Reading:]

An Iowa correspondent writes:

"From time to time I note in your editorials a feeling of skepticism concerning the scarcity of cattle. I would like to have your straightforward opinion on this subject."

So far as Wallace's Farmer is informed, there are no thoroughly reliable statistics available as to the cattle supply either of the United States or of the world. As for the United States, the only statistics are those prepared by the Department of Agriculture, and no one knows whether these are trustworthy or not. In the past, at times, they seem to have been borne out by later marketings. At other times they have been very far out of line with the census figures of the same year. Notwithstanding the statements which have been made with such reckless abandon by some who have assumed to speak with knowledge, the Department of Agriculture figures indicate a greatly increased number of cattle in the United States. The department reports 56,592,000 cattle in the United States on January 1, 1914, and 66,830,000 on January 1, 1918, a very large increase. And we suspect that these figures indicate the true situation, mainly because, in view of all of the conditions, an increase in cattle would seem to be logical.

From the time we entered the war a great many people, some of them in positions of responsibility and some not, have talked most recklessly concerning the wholesale killing off of the cattle herds of Great Britain, France, Russia, and Germany, and have argued from this that the farmers of the United States should exert themselves to increase their own cattle herds. These oracles have held out as one reason for such increase the expectation of selling breeding stock in large numbers to Great Britain and Europe—purely visionary expectation.

"Reliable figures from these countries are about as difficult to obtain as from the United States, but such as we have show that there has not been any such wholesale killing off of cattle as we have been told. In July, 1918, the British minister of agriculture, in an address, stated that there were then more than 300,000 more cattle in Great Britain than in 1914. The United States Food Administration last fall published what purported to be an official statement from France, which showed that the number of cattle in that country had decreased from 14,000,000 in 1914 to 12,000,000 in 1918, but this decrease did not indicate any lessening of cattle production in France. It would not more than account for the French cattle which were stolen by the Germans in that part of France which they had invaded. And we are told that the French are now increasing their cattle.

"Apparently, war conditions in both France and England did not discourage the production of cattle. This also seems logical. War conditions put a premium upon the production of grain and, therefore, discourage the production of hogs, which are grown mainly on grain, and also the old-time fattening of cattle. By the same reasoning, war conditions seem to encourage the production of cattle to consume the rough feed which would otherwise go to waste.

"Most extravagant statements are made as to the reduction of cattle in Russia, but we absolutely disbelieve these statements which indicate a wholesale reduction in their cattle. It is our opinion that if there has been any marked change in the number of cattle in Russia, it has been an increase rather than a decrease.

"We reach this opinion simply from the logic of the situation. The unsettled conditions in Russia do not make for the heavy marketing of cattle, but quite the contrary. In a country torn by revolution, transportation and packing conditions tend to hold the cattle back in the country. As for Germany and Austria, we see no reason to suppose that cattle production in either of these countries has been influenced differently than in France and Great Britain.

"To sum it up, therefore, we give it as our opinion—and it must be understood that this is nothing but an opinion—that there is no great scarcity of cattle in either the United States or Europe, and that the man who is straining himself to increase his cattle, in anticipation of a great shortage, is likely to be disappointed.

Mr. SWEET. Do you take into consideration what it costs to produce a bushel of corn in arriving at the profit or loss in feeding cattle?

Mr. LASATER. In my individual business I never feed corn. Corn does not enter into my business at all. I feed in a country that uses cottonseed products.

Mr. SWEET. Do you take into consideration the cost of producing cottonseed products in ascertaining the losses or profits in feeding cattle?

Mr. LASATER. No. Because that would not in any way affect the results to me. I have to pay the market price fixed for these products when I buy them, so the cost of production would in no way enter into the question as to whether they are sold at a loss or profit.

Mr. SWEET. When the Food Administration arrived at the price of 17½ cents a pound for pork or for live hogs they took into consideration the price of corn at that time, did they not?

Mr. LASATER. I have got a pamphlet here, sir. Let me read just exactly what it says on that proposition. I think, Mr. Sweet, if I read the report of this committee that covers that point it would probably be of more value to the committee than anything I could personally say. These gentlemen were experts and made a careful study.

Mr. SWEET. You may just insert that in the record.

Mr. LASATER. Then I will ask that this entire report of this committee to ascertain the cost of production of hogs—the committee appointed by the Food Administrator, Mr. Hoover—be put into the record, and I think you will find every point that you now desire information on covered by this report.

The CHAIRMAN. It does not deal with any other subject?

Mr. LASATER. With no other subject except the cost of production of hogs.

The CHAIRMAN. All right; it will go in.

(The statement above referred to is as follows:)

REPORT OF COMMISSION TO INVESTIGATE THE COST OF PRODUCING HOGS.

OFFICE OF THE FOOD ADMINISTRATION,
Chicago, Ill., October 27, 1917.

HON. HERBERT C. HOOVER,

United States Food Administrator, Washington, D. C.

DEAR SIR: Your commission appointed to determine the cost of hog production, in terms of bushels of corn, and to advise as to what is deemed essential to encourage production begs leave to submit the following report:

We believe that definite, stimulative action is immediately necessary if the pork supply of the Nation and the Nation's allies is to be sufficient to meet demands.

There is a marked feeling of uncertainty evident on the part of the producer. This is manifest in the large number of unfinished hogs now going to market. There is a big tendency to market potential breeding stock—breeding stock that is essential to further increase. The feeling of unrest and uncertainty on the part of the producer is greatly accentuated by the recent marked drop in the price of live hogs. First and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit.

In all of our deliberations we have borne steadfastly in mind the world-wide problems of supplying ourselves and our allies with meats and fats, and particularly have we kept uppermost in our thoughts the consumer. The consumer's and the producer's interests in these United States rest on a common foundation of laws, customs, economic relationships, and social life.

PRODUCERS OPPOSED TO PROFITEERING.

We believe that the sentiment of the swine producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and the file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our President's definition of a just price. We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore, definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers, and consumers.

CORN RATIO TO HOG FEEDING.

The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

MINIMUM PRICE FOR IMMEDIATE FUTURE.

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1913. Steps should also be taken to prevent, as far as possible, any large or sudden change in prices when they go from the minimum basis to the ratio basis. This minimum price should also apply to other markets and to other classes of market hogs with the usual or normal differentials.

We recommend that the question of price range between the various market classes and grades of hogs should be determined by a suitable committee of representative packers, live-stock commission men, and representatives of this commission, the same to be appointed by Mr. Hoover.

A correct price for hogs can not be determined by using the basis corn value of the month in which this hog is marketed. This method is economically unsound and unjust because the feed which is chargeable to this hog was consumed during the previous months.

To establish the market value of 100 pounds of average hog, in terms of corn, a weighted average of the corn consumed by the hog or its antecedents during the period of 12 months previous to marketing must be taken into consideration. The determined approximate percentage of corn consumed for the period of 12 months of the market hog and its mother is distributed approximately as follows:

	Per cent.		Per cent.
First month -----	2	Eighth month -----	9
Second month -----	2	Ninth month -----	15
Third month -----	2	Tenth month -----	20
Fourth month -----	3	Eleventh month -----	17
Fifth month -----	4	Twelfth month -----	15
Sixth month -----	6		
Seventh month -----	5	Total -----	100

In determining a ratio, we believe it essential that this ratio should be varied by months in accordance with the historical differentials between the respective months as in normal times, so as not to throw our ordinary marketing, distributing, and producing practices out of line. Our normal monthly historical ratios from December to April gradually increase. Thus, indirectly they put a premium on the holding of the previous spring-farrowed hogs to later markets, and in this manner act as differentials in favor of feeding these hogs to heavier weights. If a definite ratio of 13.3 be established, that ratio shall therefore be the average of all of the months within the year, and thus necessarily not be constant throughout the entire period.

We have therefore rearranged the average ratio by months according to the following recommended tabulated presentation:

TABLE 1.—Average ratios arranged on the differential monthly basis.

Month.	Average ratio of 11.67 ¹ (weighted average based on 10 years, 1917-18, inclusive).	Average ratio of 12. ²	Average ratio of 13.3. ³	Average ratio of 14.3. ⁴
January.....	11.0	11.3	12.5	13.5
February.....	11.6	11.9	13.2	14.2
March.....	12.4	12.8	14.1	15.2
April.....	12.7	13.1	14.5	15.6
May.....	12.3	12.7	14.0	15.1
June.....	12.1	12.4	13.8	14.8
July.....	12.0	12.3	13.7	14.7
August.....	11.8	12.1	13.5	14.5
September.....	11.8	12.1	13.5	14
October.....	11.3	11.6	12.9	13
November.....	10.6	10.9	12.1	13
December.....	10.4	10.7	11.9	12
Average.....	11.67	11.99	13.31	14

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 previous to the marketing of the hogs.
² This ratio represents approximated production.
³ Represents ratio necessary to bring production back to normal.
⁴ Represents ratio necessary to increase production 15 per cent above normal.

CHICAGO BASIC MARKET FOR PRICES.

Chicago is a basic market for corn and hogs. Therefore we recommend that Chicago be used as the basis in any price stabilization and that adjustments of differentials, which may be found necessary in order to prevent any injustice against any section or market, be made by the Food Administration.

The present ratio, figured on a weighted average for late October, 1917, shows that on the basis of Chicago No. 2 corn and Chicago average hogs that 100 pounds of average hog is selling for the low value of practically 8.8 bushels of corn; and at this time 100 pounds of average hog is selling for the current equivalent value of only 7.4 bushels of corn. It is easy to see and fully comprehend why there has been a marked decrease in production and why thousands of light, immature, and unfinished hogs have been or are being rushed to market.

In the periods of heavy loss the future production of the industry is threatened. Swine men can not persistently stay in a losing game even though they are intensely patriotic. They have taxes to pay and mouths to feed, and can not be, financially speaking, good citizens in this terrible and costly war if they are engaged in a losing business.

Conditions that existed during Civil War times are particularly suggestive as regards what happens to the corn and hog ratio. The figures for the years covering 1861 to 1866 are particularly interesting, in that they give us historical precedent which may be of immense value in formulating methods of stimulation and regulation in the present conflict. The ratio between corn and hogs, as well as the approximate price for corn, is therefore presented herewith for your consideration:

TABLE II.—Civil War ratios and corn prices.
[Figured on current monthly values.]

Date.	Explanatory statements.	Ratio.		Price of corn per bushel.
		Bushels.	Cents.	
January, 1961.....	Profit period before war started.....	17.7	28.8	
April, 1961.....	War begins.....	15.1	30.1	
July, 1961.....	Conditions apparently normal as yet.....	11.7	22.9	
October, 1961.....	do.....	13.1	22.0	
January, 1962.....	do.....	10.4	22.6	
April, 1962.....	do.....	11.1	26.2	
July, 1962.....	do.....	9.1	28.1	
October, 1962.....	Period of decline begins.....	8.6	33.8	
January, 1963.....	do.....	7.7	45.6	
April, 1963.....	do.....	9.0	47.3	
July, 1963.....	do.....	8.9	48.1	
October, 1963.....	Hogs noticeably lag behind corn.....	5.2	79.2	
January, 1964.....	do.....	7.1	82.4	
April, 1964.....	Period of depression.....	7.1	89.1	
July, 1964.....	do.....	8.3	79.1	
October, 1964.....	do.....	7.7	92.0	
January, 1965.....	do.....	6.2	104.4	
April, 1965.....	do.....	6.3	114.7	
July, 1965.....	do.....	6.6	129.6	
October, 1965.....	War in full blast.....	8.9	100.6	
January, 1966.....	do.....	7.3	130.3	
April, 1966.....	do.....	6.9	124.7	
July, 1966.....	do.....	7.2	132.6	
October, 1966.....	do.....	10.4	96.6	
January, 1967.....	Stimulation becomes evident in spite high price corn..	12.4	90.0	
April, 1967.....	do.....	12.8	88.1	
July, 1967.....	do.....	14.2	78.6	
October, 1967.....	The war ends.....	15.1	62.9	
January, 1968.....	Following peace, stimulation becomes marked again..	14.0	53.8	
April, 1968.....	do.....	14.9	52.4	
July, 1968.....	do.....	16.4	56.3	
October, 1968.....	do.....	16.0	67.4	
January, 1969.....	do.....	19.5	60.0	
April, 1969.....	do.....	24.8	49.2	
July, 1969.....	do.....	21.2	52.6	
October, 1969.....	do.....	21.6	42.0	
January, 1970.....	Stimulative ratios prevail.....	24.9	37.3	
April, 1970.....	do.....	26.6	35.4	
July, 1970.....	do.....	25.2	37.3	
October, 1970.....	do.....	20.3	42.1	
January, 1971.....	do.....	18.2	47.9	
April, 1971.....	do.....	17.6	51.0	

That these conditions are somewhat approximated by the conditions existing during the past year is evident from the figures given below, from November, 1916, to October, 1917, same being figured on the monthly basis, as are the Civil War ratios:

TABLE III.—World war ratios.
[Figured on current monthly values.]

Date.	Explanatory statements.	Ratio.		Price of corn per bushel.
		Bushels.	Cents.	
November, 1916.....	War has been in progress a little over 2 years; conditions fair.	9.7	103	
December, 1916.....	do.....	10.9	92	
January, 1917.....	Ratios practically normal.....	11.1 (12.2)	90	
February, 1917.....	do.....	12.4 (13.4)	100	
March, 1917.....	do.....	13.3	111	
April, 1917.....	do.....	10.9	144	
May, 1917.....	do.....	9.7	163	
June, 1917.....	do.....	9.2	170	
July, 1917.....	Depression at its depth; future breeding discouraged..	7.6	200	
August, 1917.....	do.....	8.6	197	
September, 1917.....	do.....	8.8	208	
October, 1917.....	do.....	8.7	198	

The decrease in production coincides fairly well with the decrease in the ratio, so that at the present time, October, 1917, we are in a period of marked depression, depression that is reflected all the more inasmuch as it is breeding season, the vital season of the year from the production standpoint. We believe that stimulation for the present, through the establishment of fair ratios, will tend largely to avoid the extreme stimulative ratios which are apparently bound to come later if hands are kept off and the ordinary laws of supply and demand are allowed to rule. It is better for the producer, consumer, the Government, and our allies that these ratios be kept somewhat in normal line, and therefore regulation and present stimulation by Food Administration is of paramount importance.

It is emphatic opinion of this commission that to secure increased production under present abnormal conditions, definite assurance of a fair price of hogs should be given to producers by the Food Administration, and that the widest possible publicity be given to whatever action is taken with reference to the hog situation. And, further, it is also suggested that this information be furnished as soon as possible to live-stock exchanges, State councils of defense, State food committees, administrative officers of the State and Federal Departments of Agriculture and various agricultural colleges, county agricultural agents, and to the general and agricultural press.

Very respectfully submitted.

JOHN M. EVVARD, *Chairman, Ames, Iowa.*

LAWRENCE P. FUNK, *Bloomington, Ill.*

N. H. GENTRY, *Sedalia, Mo.*

W. A. WILLIAMS, *Marlow, Okla.*

J. H. SKINNER, *La Fayette, Ind.*

TAIT BUTLER, *Memphis, Tenn.*

L. W. BURDIE, *Herman, Nebr.*

MR. SWEET. You stated in your testimony, I think, that Mr. Hoover had said he wished to have all the fats possible that he could obtain for the allies. Now, is it not true that it was necessary to place the price high enough so that the farmer would feed the corn to the hogs instead of selling the corn?

MR. LASATER. Certainly the farmer could not have afforded to have put this extra weight on these hogs unless he was going to get the return for the amount he fed into the hogs.

MR. SWEET. Do you believe that the price of 17½ cents per pound for the live hogs was reasonable at that time?

MR. LASATER. At that time, but at the time we are discussing it was 15½. The price obtaining now did not obtain in the fall of 1917, that we are discussing, that big crop.

MR. SWEET. Well, was 15½ cents reasonable?

MR. LASATER. No; it was not returning the cost of the hog, if that is what you are going to term the reasonable cost. It did not return that cost.

MR. SWEET. It should have been much higher than that?

MR. LASATER. My recollection is, and I give Mr. Wallace as my authority, that he estimated at that time that it should have been somewhere around 17 cents. That is my recollection; I do not give it to the fraction, but I think when you go into these various communications from Mr. Wallace you will find he was holding that it would be more than 17 cents, at the time the 15½ cents was fixed.

MR. SWEET. I think that is all.

THE CHAIRMAN. Mr. Stephens, do you wish to ask any questions?

MR. STEPHENS. I noticed you were an interested witness throughout the cross-examination of the various packers who have been before us. I apprehend you took note of the inquiry I made of Mr. Wilson on the subject of grading live stock at the markets. You

recall that he stated that in his judgment it was an utter impossibility to grade live stock on the hoof. Do you believe that?

Mr. LASATER. No, sir; I do not believe it.

Mr. STEPHENS. Do you believe it could be graded before it is slaughtered?

Mr. LASATER. I believe it could be done. I would like to state just one point, that I do not believe there is ever a car of live stock sold, either of hogs or cattle, that that car of live stock is not graded by the seller and the purchaser; otherwise how could they arrive at the price?

Mr. STEPHENS. And those grades will fall naturally within a range of, say, five or six points?

Mr. LASATER. On beef cattle, yes; five or six points. A beef animal is bought on the per cent it is supposed to kill. It is the skill that a man has in sizing up the finished steer, the per cent of kill—that is, of beef to offal that he is going to get out of that steer, and he prices him with that in view.

Mr. STEPHENS. Admitting that it could not be graded in a practical way before it is slaughtered, is there any difficulty at all in your mind about grading it after it is slaughtered?

Mr. LASATER. I am sure that it is graded, and the trade understands that. They have certain terms for certain classes of meat. I think that is a fact; I am not a handler of meat, but I think if you take the prices quoted by the Bureau of Markets of the Department of Agriculture you will find there are certain specified grades.

Mr. STEPHENS. My object in propounding that query to you, Mr. Lasater, is to demonstrate, if I can, the feasibility, or ascertain whether or not it is feasible, to have a value fixed upon these cattle, approximately, based upon a grade before the cattle leave the feed lots. After you have shipped the cattle to the yards, as demonstrated by the examples you have given this afternoon, you are then hopeless; you have got to take what they are willing to pay you. If those cattle could be sold by grade before they ever leave the ranch or the feed lot, then you would have the same sort of control over the price that the packers have. Therefore, if we can establish the fact that these cattle can be graded and that a disinterested party, such as a Government agent similar to the inspectors who now inspect the meat, could classify these cattle into groups or grades after they get to the market, then would it not be perfectly feasible for you to wire your commission man in Kansas City or Fort Worth and say that you desire to ship 1,000 head of steers that will fall within the first two or three grades of grass-fed cattle, and you want to know what price they will bring on the market? Now, your commission man then could wire you the price that the packer would be willing to pay you for each of those grades, and you would take your chances as to what grades your cattle would fall in and take your price for that particular grade. Can you see any reason why that scheme could not be worked out, and thereby solve this problem of skinning the producer that has been constantly confronting him ever since there has been such a thing as the packing business?

Mr. LASATER. I do not think there is any question but what cattle can be graded very near an approximation. I would like to state right here that there is a certain ranch known as the S. M. S. ranch in northwest Texas that had built up a great trade in calves, and

they sell many hundreds of calves without ever a buyer seeing the calves. Their cattle are known to be of a certain grade, and they sell for so much per pound delivered at the shipping point. If cattle could not be graded, that could not be done.

Mr. STEPHENS. You spoke of the Texas corporation that was proposed a few years ago—1911, I think.

Mr. LASATER. Yes, sir.

Mr. STEPHENS. For the purpose of establishing sales agents at all of the principal markets with a view of having these cattle marketed by this one sales agent. Now, then, your object in that was to afford you an opportunity to dicker with the packer for a price before you were placed at his mercy by shipping the cattle to the market. In your judgment, would it be possible for the Government to establish a marketing association of a national character for live stock, an impartial committee composed of producers and packers and consumers, or, possibly, only producers, with the view of establishing an agency that would be recognized by the producers to the extent that whatever you shipped to sell you would sell through the agency? Do you think that would be feasible or desirable?

Mr. LASATER. It looks to me like we could have laws passed that would make cooperative marketing of our products much easier than it is to-day. I am not prepared to say just how much Government supervision of such agencies I would recommend, but I do not think there is any question but what it could be done, and I think we have got to have a certain amount of encouragement before we can start it over a country that has such distances as ours.

Mr. STEPHENS. It is apparent to me that if the producers of range cattle and beef cattle could organize themselves into a marketing association and would market all of their cattle through that association, then the producer could say through the one man who controlled the product, "How many cattle of the first grade, or such and such grades, do you want to-day?" And the packer would estimate what he would need each day. Then this agent could deliver to him these cattle in stated numbers, as required, at an agreed price for each, and they would be on a fair basis. Here is a packer with his plant; here is the producer with his wares and feed lots full of cattle. They are both on their own grounds; neither is compelled to do business if he does not want to. The ranchman or the feed-lot man want to get rid of his products as soon as it can be sold at a decent price; the packer wants to keep his plant going. These two men could negotiate upon an exact footing and come to an agreement upon the decent and fair price of the cattle. But the trouble is you could not in a generation get these people together to do that. The point I am trying to get at is, Can you find any principle, fair way whereby the Government could establish a market association that would work out, or at least give character to the organization that would encourage these producers to sell through it?

Mr. LASATER. I think it is feasible, yes, sir; but it will not just happen. Somebody with initiative and with a mind capable of grasping the situation has got to push it, of course. It is something that will not just grow.

Mr. STEPHENS. And it can not grow for two distinct reasons; first, it is against the interests of the commission men; second, it is against the interests of the packer.

Mr. LASATER. Will you let me suggest another thing that comes right in there? If the packer can command, we will say, 5 per cent money, and the live-stock producer has to pay 8 per cent money, that will within itself prevent any cooperative enterprise started by the producers from succeeding.

Mr. STEPHENS. You believe, then, that it is absolutely essential to the prosperity of the producer to have a grade system established?

Mr. LASATER. Yes; before you can bring down the cost of living in this country you have got to give the producer reasonable interest rates to produce on. There is one thing I overlooked that I would appreciate it if you would give me five minutes to present to you, and that is the comparative costs at various points of slaughter. I think that is something that ought to be taken into consideration when you consider the recommendations made by the Federal Trade Commission. In volume 11, at the hearing held in Washington January 30, 1918, I find this, on page 2403, as this is a memorandum to Edward G. Swift from Charles H. Swift, his brother:

We are, whenever necessary to get them killed, shipping live cattle from St. Paul to Chicago. Mr. Chaplin [that is their accountant] advises as against killing the same cattle at St. Paul. This increases the dressed Chicago cost about 29 cents per hundredweight.

That is, when they kill the cattle in St. Paul and ship the meat to Chicago it costs them 29 cents a hundredweight less hanging in their coolers than when the live cattle are shipped from St. Paul to Chicago. Now, the packer has testified here that he makes less than \$1 a hundred.

Mr. PARKER of New Jersey. It is just the other way; the killing in St. Paul increases the cost.

Mr. LASATER. No, sir; he says that it will cost them 29 cents per hundred more to ship them alive than killing them.

Mr. PARKER of New Jersey. No; when they kill in St. Paul it increases it.

Mr. ESCH. The witness here in the record says the shipment of live stock and beef from Missouri points to Chicago are identical, and that east of that the beef takes a higher rate. This is from St. Paul, on the Mississippi River crossing to Chicago.

Mr. PARKER of New Jersey. He says, "This increases," and "this" means a killing in St. Paul.

Mr. LASATER. No; you do not get it; certainly; and this seems to me to be very clear language: "We are, whenever necessary to get them killed, shipping live cattle from St. Paul to Chicago." That is when they have more cattle in St. Paul than their killing capacity. He says: "Mr. Chaplin advises as against killing the same cattle at St. Paul. This increases the dressed Chicago cost about 29 cents per hundred weight."

Mr. PARKER of New Jersey. This refers to the killing at St. Paul.

Mr. LASATER. As against killing in St. Paul. Permit me to read you something else that will show you that your position is untenable. On page 2405 it says:

Armour has also shipped from St. Paul to St. Joe. Mr. Chaplin advises against killing the same cattle at St. Paul; this increases their dressed Chicago cost 79½ cents per hundredweight.

And it follows that up by also referring to shipping from Kansas City to Chicago and from St. Louis to Chicago.

Mr. SWEET. In other words, it is an advantage to kill the cattle at St. Paul.

Mr. LASATER. Unquestionably. When the cattle are killed at St. Paul they hang their meat in the Chicago coolers 29 cents a hundred-weight less. That matter was called to Mr. Armour's attention before the Committee on Agriculture of the Senate. Mr. Heney asked him the question and he said, "I think there would be a quarter's difference." So he gets within 4 cents of what Swift had found by actual test. The point I am making at this place is this: The one way you can help the producers of the country as well as the consumers is to eliminate some of the costs we now are staggering under. It is not economical to ship these long distances, and if it were made possible for smaller packing houses to compete on equal terms with the large packer in buying and bringing to the eastern seaboard, we would be able to benefit both the consumer and the producer. You would have many smaller plants spread over the country instead of cattle being concentrated in five or six great big markets. That is the great saving to be made from changing present conditions. I wanted to mention that fact because I believe it is a very pertinent one.

Mr. PARKER of New Jersey. Are you a member of the Cattle Raisers' Association of Texas?

Mr. LASATER. I am.

Mr. PARKER of New Jersey. You have been a member how long?

Mr. LASATER. I judge 10 or 15 years.

Mr. PARKER of New Jersey. Are you an officer?

Mr. LASATER. I am on the executive committee.

Mr. PARKER of New Jersey. Are you a member of any other cattle association?

Mr. LASATER. I have been a member of the American National Live Stock Association also.

Mr. PARKER of New Jersey. Are you an officer of that?

Mr. LASATER. I have been for several years chosen as a member of the market committee of the American Live Stock Association.

Mr. PARKER of New Jersey. How many years back?

Mr. LASATER. Two years, I think it is; part of 1916 and all of 1917 and 1918.

Mr. PARKER of New Jersey. Are you a member of any other association?

Mr. LASATER. None except my local organization at home, a farm organization.

Mr. PARKER of New Jersey. What is the Farmers' National Committee on Packing Plants and Industries?

Mr. LASATER. It is composed of representatives from various farm organizations.

Mr. PARKER of New Jersey. Are you a member of that?

Mr. LASATER. I am on that committee also; yes.

Mr. PARKER of New Jersey. That has an office here, 35 to 39 Bliss Building?

Mr. LASATER. Yes.

Mr. PARKER of New Jersey. How long have you had an office in Washington?

Mr. LASATER. About—something like six months.

Mr. PARKER of New Jersey. You are issuing circulars. There is a circular here of January 27, 1919, in favor of this bill, signed by you and others?

Mr. LASATER. Yes, sir.

Mr. PARKER of New Jersey. Who drew that circular?

Mr. LASATER. It was, I think, largely drawn by Mr. Hampton and Mr. Gustafson and some other farmers at a committee meeting that I did not attend.

Mr. PARKER of New Jersey. You had no lawyer to draw it?

Mr. LASATER. No, sir.

Mr. PARKER of New Jersey. Do you receive any salary in any of these positions?

Mr. LASATER. I do not.

Mr. PARKER of New Jersey. You never have?

Mr. LASATER. Never have.

Mr. PARKER of New Jersey. Did you have any payment of your expenses or otherwise?

Mr. LASATER. I never have.

Mr. PARKER of New Jersey. And you received no salary from anyone when you were employed by the Food Administration?

Mr. LASATER. None whatever.

Mr. PARKER of New Jersey. Were you a dollar-a-year man?

Mr. LASATER. I was a dollar-a-year man; yes, sir; and I paid my expenses.

Mr. PARKER of New Jersey. You know the Cattleman, of Fort Worth, Tex.?

Mr. LASATER. Yes, sir; that is the organ of the Texas Cattle Raisers' Association.

Mr. PARKER of New Jersey. In 1916, in May, Mr. E. L. Park published an article on this subject in which he quotes Mr. John Lander-gin as vice president of the Cattle Raisers' Association, saying that he is vice president, and then he says:

This association represents more than 3,000,000 head of cattle, valued at more than \$150,000,000. The members assessed themselves 5 cents per head of cattle by the association, which will amount to more than \$100,000 for the exclusive use of the market committee of the American National Live Stock Association, which was appointed at the last annual meeting of the association at El Paso, to ascertain and force laws of justice and fairness between the producers of live stock and the few men who buy their product.

Was that assessment paid that year?

Mr. LASATER. Not altogether.

Mr. PARKER of New Jersey. How much was paid?

Mr. LASATER. Just one moment. I read into the record yesterday certain material that had been read by the Federal Trade Commission before the public hearings in regard to certain information brought to the board by the packers as to the live-stock association.

Mr. PARKER of New Jersey. I am asking about you. You are a member of the market committee?

Mr. LASATER. I am.

Mr. PARKER of New Jersey. How much did the market committee receive last year from anybody?

Mr. LASATER. I have got that right here, sir. I am very glad you brought that up; that is one thing I overlooked, and I appreciate

your calling my attention to it. Mr. Edward Morris, you will recall—

Mr. PARKER of New Jersey. I do not care what he said; I want an answer to my question.

Mr. LASATER. You will get an answer.

Mr. PARKER of New Jersey. But I do not want to talk about other people.

Mr. LASATER. I have here an affidavit made by T. W. Tomlinson, secretary of the American National Live Stock Association. When Mr. Morris made the statement the other day here I wired Mr. Tomlinson to send me an affidavit setting forth the facts.

Mr. PARKER of New Jersey. Your information is that they received how much?

Mr. LASATER. Permit me to read this affidavit; it is the best testimony I can offer. His affidavit is as follows:

T. W. Tomlinson, of the city and county of Denver, secretary of the American National Live Stock Association; also secretary and treasurer of the market committee of that association, makes the following sworn statement:

The market committee of the American National Live Stock Association was created at the El Paso convention in January, 1916, and since that time it has had entire charge of all the work done by this association and all the money expended relative to the investigation of the meat industry by the Federal Trade Commission and the legislation now being considered by Congress. According to vouchers on file the market committee spent during the past three years the following:

During 1916, \$21,621.03; 1917, \$12,067.54; and during 1918, \$13,566.66; a total of \$47,255.23. Our books have been audited by accountants and are certified to be correct. These expenditures were mostly for printing pamphlets and statements outlining our position on the control by the packers of marketing facilities, stockyards and other instrumentalities, for attorney fees, expenses of committees, clerical help, and office expenses. During the entire three years of its existence the market committee has spent less than one-third of the amount Mr. Edward Morris claimed was raised and spent annually. As a matter of fact, our market committee has had great difficulty in properly presenting its position and recommendations to the American people on account of lack of funds to secure the necessary publicity.

None of our funds have been improperly spent, and all we have raised is but a fraction of what the packers have used to influence public opinion. I doubt whether our entire expenditures during the past three years have been as much as the packers have recently spent in trying to split the ranks of live-stock producers and disrupt their organizations. When our market committee was created in 1916 there were five members, namely H. A. Jastro, Bakersfield, Cal., chairman; E. L. Burke, of Omaha, Nebr., vice chairman; J. B. Kendrick, of Sheridan, Wyo.; I. T. Pryor, San Antonio, Tex.; A. E. De Ricqlès, of Denver, Colo. The committee was enlarged to seven members at the 1918 convention. Mr. Jastro is still chairman of the committee.

(Signed) T. W. TOMLINSON,
Secretary.

Subscribed and sworn to before me this 28th day of January, 1919, A. D.

[SEAL.] (Signed) LELA L. RHOADES,
Notary Public.

My commission expires October 3, 1922.

Mr. PARKER of New Jersey. That states what they spent, but does not state what they received.

Mr. LASATER. I beg your pardon; he gives not only what he received, but what he spent.

Mr. PARKER of New Jersey. He altogether stated what he had spent, not what he had received, except a general statement that he had had hard work to get along.

Mr. LASATER. I will state that Mr. Tomlinson advised me by letter that he had two hundred and fifty dollars and some cents in the treasury at that time to the credit of the market committee. This statement here and what he advised me about the \$250 are the entire receipts of the market committee since its organization in January, 1916.

Mr. PARKER of New Jersey. Who is their attorney?

Mr. LASATER. Walker L. Fisher.

Mr. PARKER of New Jersey. Is he paid a salary?

Mr. LASATER. He is paid according to the work done; I could not tell you just on what basis.

Mr. PARKER of New Jersey. Is there any officer of the market committee that receives a salary?

Mr. LASATER. Only the secretary.

Mr. PARKER of New Jersey. What is his salary and where is his office?

Mr. LASATER. His office is at Denver, Colo., and his salary is \$7,500 a year.

Mr. PARKER of New Jersey. And you say none of the others receive salaries?

Mr. LASATER. None of the others receive salaries.

Mr. PARKER of New Jersey. Then this statement that over \$100,000 had been paid to them in 1916, as made by the vice president of the Cattle Growers' Association of Texas—

Mr. LASATER. That does not state that had been paid. He said that a certain letter had been written, and I read into the record why that amount could not be collected, and gave the reason for it.

Mr. PARKER of New Jersey. You have heard the testimony of the packers here?

Mr. LASATER. Yes.

Mr. PARKER of New Jersey. They have opened their books and accounts showing the profits from their receipts and expenditures from all branches of their business, showing the amount paid per head, the amount made by turnover, and the amount of profits on their cattle. Do you mean to say you deny the accuracy of those papers?

Mr. LASATER. I most emphatically do deny that they state the facts for this committee or the general public in the statement they make to the country.

Mr. PARKER of New Jersey. Have you been over those books yourself?

Mr. LASATER. I was offered by Swift as early as 1911 the privilege of auditing their books, but I found what the cost would be. At that time I was president of the Texas Cattle Raising Association, when I found what the cost would be, and I knew that I could only audit what was tendered to me, so I declined to undertake the job. Mr. Swift realized he was offering something that absolutely could not be made of service.

Mr. PARKER of New Jersey. When you were with the Food Administration your position was under Mr. Requa, was it not?

Mr. LASATER. I would not state it just that way. Mr. Requa, in the first days of the organization of the Food Administration, was known as Mr. Hoover's first assistant. Mr. Hoover requested me to take the position of live-stock advisor for the Food Administration.

your calling my attention to it. Mr. Edward Morris, you will recall—

Mr. PARKER of New Jersey. I do not care what he said; I want an answer to my question.

Mr. LASATER. You will get an answer.

Mr. PARKER of New Jersey. But I do not want to talk about other people.

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The market committee of the American National Live Stock Association was created at the El Paso convention in January, 1916, and since that time it has had entire charge of all the work done by this association and all the money expended relative to the investigation of the meat industry by the Federal Trade Commission and the legislation now being considered by Congress. According to vouchers on file the market committee spent during the past three years the following:

During 1916, \$21,621.03; 1917, \$12,067.54; and during 1918, \$13,566.66; a total of \$47,255.23. Our books have been audited by accountants and are certified to be correct. These expenditures were mostly for printing pamphlets and statements outlining our position on the control by the packers of marketing facilities, stockyards and other instrumentalities, for attorney fees, expenses of committees, clerical help, and office expenses. During the entire three years of its existence the market committee has spent less than one-third of the amount Mr. Edward Morris claimed was raised and spent annually. As a matter of fact, our market committee has had great difficulty in properly presenting its position and recommendations to the American people on account of lack of funds to secure the necessary publicity.

None of our funds have been improperly spent, and all we have raised is but a fraction of what the packers have used to influence public opinion. I doubt whether our entire expenditures during the past three years have been as much as the packers have recently spent in trying to split the ranks of live-stock producers and disrupt their organizations. When our market committee was created in 1916 there were five members, namely H. A. Jastro, Bakersfield, Cal., chairman; E. L. Burke, of Omaha, Nebr., vice chairman; J. B. Kendrick, of Sheridan, Wyo.; I. T. Pryor, San Antonio, Tex.; A. E. De Ricqlès, of Denver, Colo. The committee was enlarged to seven members at the 1918 convention. Mr. Jastro is still chairman of the committee.

(Signed) T. W. TOMLINSON,
Secretary.

Subscribed and sworn to before me this 28th day of January, 1919, A. D.

[SEAL.] (Signed) LELA L. RHOADES,
Notary Public.

My commission expires October 3, 1922.

Mr. PARKER of New Jersey. That states what they spent, but does not state what they received.

Mr. LASATER. I beg your pardon; he gives not only what he received, but what he spent.

Mr. PARKER of New Jersey. He altogether stated what he had spent, not what he had received, except a general statement that he had had hard work to get along.

Mr. LASATER. I will state that Mr. Tomlinson advised me by letter that he had two hundred and fifty dollars and some cents in the treasury at that time to the credit of the market committee. This statement here and what he advised me about the \$250 are the entire receipts of the market committee since its organization in January, 1916.

Mr. PARKER of New Jersey. Who is their attorney?

Mr. LASATER. Walker L. Fisher.

Mr. PARKER of New Jersey. Is he paid a salary?

Mr. LASATER. He is paid according to the work done; I could not tell you just on what basis.

Mr. PARKER of New Jersey. Is there any officer of the market committee that receives a salary?

Mr. LASATER. Only the secretary.

Mr. PARKER of New Jersey. What is his salary and where is his office?

Mr. LASATER. His office is at Denver, Colo., and his salary is \$7,500 a year.

Mr. PARKER of New Jersey. And you say none of the others receive salaries?

Mr. LASATER. None of the others receive salaries.

Mr. PARKER of New Jersey. Then this statement that over \$100,000 had been paid to them in 1916, as made by the vice president of the Cattle Growers' Association of Texas—

Mr. LASATER. That does not state that had been paid. He said that a certain letter had been written, and I read into the record why that amount could not be collected, and gave the reason for it.

Mr. PARKER of New Jersey. You have heard the testimony of the packers here?

Mr. LASATER. Yes.

Mr. PARKER of New Jersey. They have opened their books and accounts showing the profits from their receipts and expenditures from all branches of their business, showing the amount paid per head, the amount made by turnover, and the amount of profits on their cattle. Do you mean to say you deny the accuracy of those papers?

Mr. LASATER. I most emphatically do deny that they state the facts for this committee or the general public in the statement they make to the country.

Mr. PARKER of New Jersey. Have you been over those books yourself?

Mr. LASATER. I was offered by Swift as early as 1911 the privilege of auditing their books, but I found what the cost would be. At that time I was president of the Texas Cattle Raising Association, when I found what the cost would be, and I knew that I could only audit what was tendered to me, so I declined to undertake the job. Mr. Swift realized he was offering something that absolutely could not be made of service.

Mr. PARKER of New Jersey. When you were with the Food Administration your position was under Mr. Requa, was it not?

Mr. LASATER. I would not state it just that way. Mr. Requa, in the first days of the organization of the Food Administration, was known as Mr. Hoover's first assistant. Mr. Hoover requested me to take the position of live-stock advisor for the Food Administration.

your calling my attention to it. Mr. Edward Morris, you will recall—

Mr. PARKER of New Jersey. I do not care what he said; I want an answer to my question.

Mr. LASATER. You will get an answer.

Mr. PARKER of New Jersey. But I do not want to talk about other people.

Mr. LASATER. I have here an affidavit made by T. W. Tomlinson, secretary of the American National Live Stock Association. When Mr. Morris made the statement the other day here I wired Mr. Tomlinson to send me an affidavit setting forth the facts.

Mr. PARKER of New Jersey. Your information is that they received how much?

Mr. LASATER. Permit me to read this affidavit; it is the best testimony I can offer. His affidavit is as follows:

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Mr. LASATER. I would not state it just that way. Mr. Requa, in the first days of the organization of the Food Administration, was known as Mr. Hoover's first assistant. Mr. Hoover requested me to take the position of live-stock advisor for the Food Administration.

Mr. DOREMUS. If those stockyards had been owned and operated by the Government, do you think the difficulty you encountered that day would have been avoided?

Mr. LASATER. I certainly think it would. Any efficient management would have avoided that. That would be immaterial, absolutely, to the producer if it was understood that a price is to be based on the gaunted cattle; but when the understanding is that it is going to be based on the filled cattle and then the cattle are held back and can not be weighed for several hours, that is a discrimination in favor of the buyer. When the buyer is also the manager of the stockyards he has an advantage that I do not think ought to be allowed to exist.

Mr. DOREMUS. You think we will get more efficient management of stockyards in this country under Government ownership?

Mr. LASATER. I certainly think we would get fairer management.

Mr. DOREMUS. What do you think of a license system such as is proposed in this bill?

Mr. LASATER. I think it is very difficult to control a monopoly. I think if you take away from the monopoly the tools by which it has been able to create this monopoly, it certainly will be easier controlled, and, I think, under the conditions that the packer has the business to-day, the Government ought to have a supervision of his business. If you put him under license and, we will say, the law is reasonably effectively enforced, I think taking away the means by which he has created this monopoly—within 5 or 10 years, I think, we would have a different situation altogether. I do not believe you are going to be able to correct this thing overnight; a thing that has taken over 40 years to build up can not be cured by evolution that quickly.

Mr. DOREMUS. Assuming, for the purpose of the next question, that there is a live-stock pool or some sort of agreement between the big packers by which they exercise the commanding influence on the market for live stock, would the ownership of the stockyards by the Government tend to destroy or curtail that control which they now exercise over the live-stock market?

Mr. LASATER. You mean, simply controlling the live-stock yards alone?

Mr. DOREMUS. Yes.

Mr. LASATER. No; I do not think it would take away the packers' power.

Mr. DOREMUS. Would it decrease the price which the packer pays the live-stock producer?

Mr. LASATER. It would increase the amount the producer gets, because, as I say, if the cattle was sold on a basis of a fill, then they would be weighed when the cattle had that fill, if the yards were handled by some agency that wanted to be fair.

Mr. DOREMUS. Your view is that if the Government owned and controlled these agencies for distribution, that it would go a long way toward correcting the grievances of which the live-stock producer complains to-day?

Mr. LASATER. I think it would enable us to revolutionize the marketing system of the country. I do not think you could do it overnight, but over a stretch of years it would be done. I am perfectly willing to be patient if conditions will be created where well-laid plans can be made to bear results.

that amount now to absolute waste. This saving would be from \$2 to \$6 per head. Mr. Swift admits the economy of slaughtering nearer the centers of production. Made effective, this will mean a saving of many millions of dollars and it will be a saving that it will be practicable to make.

Mr. DOREMUS. What is there in this bill that will increase the number of slaughtering centers?

Mr. LASATER. This: If you give me at the same rate the packer can command a refrigerator car, and furnish me the same service that the packer can command, to the centers of distribution, then give me the facilities for handling my product, the live-stock producer will do the rest; he will establish these slaughtering centers.

Mr. DOREMUS. Do I understand you to advocate that the railroads take over all of these special cars?

Mr. LASATER. Yes; I think the railroads should take over the cars—the transportation companies should take over the cars—and that every man using these cars should be able to command like service.

Mr. DOREMUS. What would be the advantage to the producers of live stock if the Government took over the stockyards?

Mr. LASATER. If the Government took over the stockyards, it will be an advantage to the producer. And one thing further, it would affect the producer in this way: I ship my cattle to Fort Worth. The cattle are sold on the basis of a fill; that is, the intent is to weigh them full and the price is made on the fill. If the yard company holds back my cattle for three or four hours before weighing them, most of that fill passes out; and while a packer fixes a price with the intent of the cattle being weighed on the fill, they are weighed several hours afterwards, which means several dollars loss to the producer. The buyer should not have that advantage.

Mr. DOREMUS. You do not believe that you, as a live-stock producer, have had a fair deal at the stockyards, as they are now being controlled?

Mr. LASATER. I do not; and that is the general impression.

Mr. DOREMUS. What about your experience in that regard?

Mr. LASATER. I related an incident regarding that. Were you here when I related my marketing a train of cattle last year?

Mr. DOREMUS. If you have already stated that, we will pass on.

Mr. LASATER. Let me mention one other thing that is not in the record. I think it was probably 1916, in the summer, that I was in Fort Worth with a shipment of my cattle. That was one of the days of a heavy run. My cattle sold in the morning. There were two sets of scales, one near the yard where my cattle were yarded and one some distance off. The near-by scales were not put in service in the forenoon, although there was more than an average run to handle that day, they did not commence weighing at them until the afternoon. My cattle were moved out into the alleys for the purpose of moving them to the more distant scales, and they stayed in the alleys two hours or more before they got to the scales, on account of a jam. That is one of the last experiences I have had in person. I happened to be on the market that day with this shipment of cattle.

Mr. DOREMUS. If those stockyards had been owned and operated by the Government, do you think the difficulty you encountered that day would have been avoided?

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Mr. DOREMUS. I was amazed to hear you state that there had been an increase of 100 per cent in the number of calves between 1914 and 1917.

The CHAIRMAN. I think he said slaughtered.

Mr. LASATER. That refers to those slaughtered. There has been over 100 per cent since 1914.

Mr. DOREMUS. To what do you attribute that remarkable increase during the past four years?

Mr. LASATER. To lack of confidence in his business on part of producers. In era of high prices live stock failed to advance proportionately with other products, though one of the essential products.

Mr. DOREMUS. Did the Food Administration offer any special inducements for the production of calves?

Mr. LASATER. No.

Mr. DOREMUS. As I understand it, the only price they fixed for live stock related to the live hogs?

Mr. LASATER. The only price they anticipated for the future related to hogs. They acted on the report of this hog committee. They stated to the country that they wanted 15 per cent increased production over the preceding year. This committee found that to get that the country ought to have 14.3 bushels of corn for a hundred pound hog.

Mr. Cotton later advised the country that they would endeavor to maintain the parity, of the price of 13 bushels of corn per hundred pounds of hog, and it would seem that that has brought about an increase of 15 per cent. The general estimate is we have from 8 to 15 per cent over the previous year.

I would like to add just this: In July of last year I was asked to meet a committee of live-stock producers at College Station, Tex. This committee was to be addressed by the Assistant Secretary of Agriculture, Mr. Ousley, and by Mr. Rommel, also head of one of the live-stock departments of the Department of Agriculture. I was discussing with Mr. Rommel the difficulties of financing live-stock production at that time and trying to impress upon him the necessity of the Agricultural Department taking some interest in the matter. Mr. Rommel's reply was, "Why, the farmers will produce even if they go broke. Their sons are in Europe." I think the fact mentioned by Mr. Rommel had something to do with the present increased supply.

Mr. DOREMUS. With the increase of 100 per cent in the number of calves slaughtered in 1914 and 1918, why is it that the retail price of veal continues to increase?

Mr. LASATER. I can not tell you that, sir; that is beyond me; that is out of my domain. Can I make one statement here, gentlemen, that looks to me will be a fair one, and you gentlemen can pass on it?

I notice a report made by certain members of the United States live-stock industries committee of the Food Administration. In the report they recommended to the Food Administration that the prices of products from live stock be given to the public as near contemporaneously with the slaughter of the live stock as it could be done. I say to you that that has been sedulously concealed by the Food Administration; it has been most difficult to get information of that kind. If you can give me any reason for that, I will appreciate it.

Mr. DOREMUS. Is it reasonable to suppose that the increased demand during the war would absorb this tremendous increase in the production of calves, if you care to answer at all?

Mr. LASATER. I will say that if you will take the statistics we have on the cold-storage stocks of beef you will find they are not above normal, so it will show it has gone into consumption either here or abroad.

The CHAIRMAN. As it is getting too late to be able to finish your examination, I will ask you to return at 10.30 o'clock to-morrow morning.

Mr. SANDERS. I move that we adjourn.

(Thereupon, at 5.15 o'clock p. m., the committee adjourned until to-morrow, Wednesday, February 5, 1918, at 10.30 o'clock a. m.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Wednesday, February 5, 1919.

The committee met at 10.30 o'clock a. m., pursuant to adjournment yesterday afternoon.

The CHAIRMAN. The committee will come to order.

I believe that Judge Parker, of New Jersey, had not concluded his cross-examination. Judge Parker, you may proceed.

Mr. PARKER of New Jersey. Mr. Lasater, I would like to ask you a question or two.

Mr. LASATER. One moment, Mr. Parker, before you proceed, if you will let me make a statement.

Mr. Chairman, I have here some additional statistics on the live-stock supply; something in addition to what I had on yesterday. May I put these in?

The CHAIRMAN. Do you want to put the information in without comment?

Mr. LASATER. Yes, sir. I want to state this: That on yesterday I read into the record an article from Wallace's Farmer that made the increase in cattle in England about 300,000 head. This advance information from the Department of Agriculture shows that there was an increase in 1918 of 165,000 head instead of 300,000 head.

The CHAIRMAN. Just hand the paper to the stenographer.

(And the paper introduced by the witness is as follows:)

Live stock in principal countries: changes since the outbreak of the war.

From official reports of the respective countries mentioned below, and from the International Institute of Agriculture.¹

Item.	Recent estimate.		Before the war.	
	Date.	Number.	Date.	Number.
Cattle:				
Argentina.....	1918	27,030,000	June 1, 1914	25,867,000
Australia.....	Dec. 31, 1916	10,439,000	Dec. 31, 1910	11,745,000
Brazil.....	1916	28,932,000	1912-13	30,705,000
Canada.....	June 30, 1918	10,051,000	June 1, 1911	6,533,000
Cuba.....	Dec. 31, 1916	3,962,000	Dec. 31, 1912	2,830,000
Denmark.....	Feb. 20, 1918	2,142,000	July 15, 1914	2,463,000
France.....	July 1, 1917	12,443,000	Dec. 31, 1913	14,788,000

¹ Unofficial estimate for 1918.

Lare stock in principal countries; changes since the outbreak of the war—Contd.

Item.	Recent estimate.		Before the war	
	Date.	Number.	Date.	Number.
Cattle—Continued.				
India, British Provinces.....	1916-17	1 00	1913-14	123,042,000
Japan.....	Dec. 31, 1916	00	Dec. 31, 1913	1,349,000
Korea.....	Dec. 31, 1913	00	do.....	1,711,000
Netherlands.....	Apr. 11, 1917	00	June —, 1913	2,097,000
New Zealand.....	Jan. 31, 1918	00	Apr. 1, 1911	2,020,000
Norway.....	Sept. 30, 1916	00	Sept. 30, 1914	1,146,000
Paraguay.....	1915	00	1902	2,461,000
Spain.....	1916	00	1913	2,879,000
Sweden.....	June 1, 1917	00	Dec. 31, 1913	2,721,000
Switzerland.....	Apr. 19, 1916	00	Apr. 21, 1911	1,443,000
United Kingdom.....	June —, 1918	00	June —, 1914	12,115,000
United States.....	Jan. 1, 1919	00	Jan. 1, 1914	56,722,000
Uruguay.....	1916	00	1908	8,193,000
Sheep				
Argentina.....	1918	44,850,000	June 1, 1914	41,222,000
Australia.....	Dec. 31, 1916	76,669,000	Dec. 31, 1910	92,047,000
Brazil.....	1916	7,208,000	1912-13	10,673,000
Canada.....	June 30, 1918	3,053,000	June 1, 1911	2,175,000
Denmark.....	Feb. 20, 1918	247,000	July 15, 1914	515,000
France.....	July 1, 1917	10,587,000	Dec. 31, 1913	16,213,000
Netherlands.....	Apr. 11, 1917	521,000	June, 1913	842,000
New Zealand.....	Apr. 26, 1918	26,584,000	Apr. 30, 1911	21,920,000
Norway.....	Sept. 30, 1916	1,281,000	Sept. 30, 1914	1,357,000
Paraguay.....	1915	600,000	1902	222,000
Spain.....	1916	16,012,000	1913	16,111,000
Sweden.....	June 1, 1917	1,344,000	Dec. 31, 1913	988,000
Switzerland.....	Apr. 19, 1916	172,000	Apr. 21, 1911	161,000
United Kingdom.....	June —, 1918	27,061,000	June, 1914	27,712,000
United States.....	Jan. 1, 1919	49,563,000	Jan. 1, 1914	49,719,000
Pigs				
Australia.....	Dec. 31, 1916	1,007,000	Dec. 31, 1910	1,026,000
Brazil.....	1916	17,329,000	1912-13	18,391,000
Canada.....	June 30, 1918	4,291,000	June 1, 1911	1,613,000
Denmark.....	Feb. 20, 1918	513,000	July 15, 1914	2,047,000
France.....	July 1, 1917	4,200,000	Dec. 31, 1913	7,048,000
Japan.....	Dec. 31, 1916	328,000	do.....	110,000
Korea.....	Dec. 31, 1913	767,000	do.....	761,000
New Zealand.....	Jan. 31, 1918	258,000	Apr. 1, 1911	111,000
Norway.....	Sept. 30, 1916	221,000	Sept. 30, 1914	228,000
Paraguay.....	1915	61,000	1902	17,000
Spain.....	1916	2,814,000	1913	2,710,000
Sweden.....	June 1, 1917	1,030,000	Dec. 31, 1913	968,000
Switzerland.....	Apr. 19, 1916	544,000	Apr. 21, 1911	570,000
United Kingdom.....	June, 1918	2,409,000	June, 1914	3,940,000
United States.....	Jan. 1, 1919	75,587,000	Jan. 1, 1914	38,833,000
Bees				
Australia.....	Dec. 31, 1916	2,441,000	Dec. 31, 1910	2,345,000
Cuba.....	do.....	750,000	Dec. 31, 1912	261,000
Denmark.....	Feb. 20, 1918	511,000	July 15, 1914	367,000
France.....	July 1, 1917	2,283,000	Dec. 31, 1913	3,201,000
Japan.....	Dec. 31, 1916	1,572,000	do.....	1,582,000
Korea.....	Dec. 31, 1913	55,000	do.....	51,000
New Zealand.....	Jan. 31, 1918	370,000	Apr. 1, 1911	404,000
Norway.....	Sept. 30, 1916	180,000	Sept. 30, 1914	182,000
Spain.....	1916	480,000	1913	512,000
Sweden.....	June 1, 1917	715,000	Dec. 31, 1913	700,000
United Kingdom.....	June —, 1918	1,916,000	June, 1914	1,913,000
United States.....	Jan. 1, 1919	21,534,000	Jan. 1, 1914	20,902,000

¹ Unofficial estimate for 1918.

The CHAIRMAN. Go ahead now, Judge Parker.

Mr. PARKER of New Jersey. Mr. Lasater, I hold in my hand a circular letter of the Farmers' National Committee on Packing Plants and Allied Industries, dated January 27, 1919. Have you, perchance, a copy of that circular with you?

Mr. LASATER. No, sir.

Mr. PARKER of New Jersey. See if this is it.

Mr. LASATER (after examining circular). Yes, sir; this is the circular that was issued.

Mr. PARKER of New Jersey. I would like to put it into the record.

(The paper referred to by Mr. Parker of New Jersey is as follows:)

THE FARMERS' NATIONAL COMMITTEE ON
PACKING PLANTS AND ALLIED INDUSTRIES,
35-39 Bliss Building, Washington, D. C.

[Telephone, Lincoln 2748.]

C. H. Gustafson, chairman, president Nebraska Farmers' Union.
Benjamin C. Marsh, executive secretary.
Dr. H. Q. Alexander, president North Carolina Farmers' Union.
William Bouck, master Washington State Grange.
John J. Farrell, president National Creamery Butter Makers' Association.
George P. Hampton, manager Farmers' National Headquarters.
C. H. Hyde, Wheat Growers' Association.
E. W. Houx, president Kansas City Live Stock Exchange.
William Kent, American National Live Stock Association.
John Landergin, vice president Texas Cattle Raisers' Association.
J. Weller Long, secretary-treasurer National Society of Equity.
Ed. C. Lasater, member executive and market committees, American National Live Stock Association.
Maurice McAuliffe, president Kansas Farmers' Union.
Grant Slocum, secretary-treasurer The Gleaners.
John A. Simpson, president Oklahoma Farmers' Union.
John Morris, master Colorado State Grange.
C. E. Spence, master Oregon State Grange.

IMMEDIATE ACTION NEEDED TO FREE THE MEAT PRODUCER AND RELIEVE THE MEAT CONSUMER.

JANUARY 27, 1919.

DEAR SIR: The Sims bill (H. R. 13324)—Kenyon bill (S. 5248)—is designed to carry out the chief recommendations of the Federal Trade Commission regarding the meat-packing and allied industries.

The Federal Trade Commission made a most exhaustive investigation of the meat-packing industry and all its ramifications. The commission found:

Monopoly of the "Big Five."—That the "Big Five" packers have a practical monopoly of the entire meat supply of the country, besides having a monopolistic control of South America, in combination with others; that they handled last year more than 65 per cent of the poultry pack in the country, are the biggest factor in the egg business, have a large interest in butter and cheese, Swift being the largest butter dealer and Armour the largest cheese manufacturer and dealer in the United States; that the "Big Five" have nearly reached control of canned vegetables and canned fruits, and to-day practically determine the price paid the producers as well as the consumers; Armour & Co. are the second rice dealers in the world, and in 1917 handled 25 per cent of all the grain produced in the United States. The "Big Five" control 665 companies and have minority interests in 85 additional companies. They also are among the big factors in the tanning and leather business and to-day actually threaten the canning and wholesale grocery industries. They are making enormous profits cleverly concealed by accounting methods.

"Big Five's" use of monopoly.—That the power of the "Big Five" in the United States has been and is being unfairly and illegally used to "manipulate live-stock markets; restrict interstate and international supplies of foods; control the prices of dressed meats and other foods; defraud both the producers of food and consumers; crush effective competition; secure special privileges from railroads, stock yard companies, and municipalities, and profiteer."

If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation, of marketing and storage, their position would not be less strong than it is.

The producer of live stock is at the mercy of these five companies because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market.

The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

How the "big five" secured monopoly.—The strategic positions which protect the present controls of the big packers and insure easy conquests of new fields are: Stockyards, with their collateral institutions, such as terminal roads, cattle-loan banks, and market papers. Private refrigerator-car lines for the transportation of all kinds of perishable foods. Cold-storage plants for the preservation of perishable foods. Branch-house system of wholesale distribution. Banks and real estate.

What the Sims-Kenyon bill does.—It authorizes the President to insure free competitive markets and open a free channel of commerce for meat animals and the products derived therefrom, and to keep such business free from complications with commerce in other sorts of commodities through agencies he may designate and through powers enumerated in the bill. It does not contemplate taking over any of the packing-house plants. It permits the President, as alternatives either to acquire and operate certain other facilities, or to acquire them for the United States and license their operation, or without acquiring, to place the meat-packing industry under a system of direct Federal license. It authorizes Federal acquisition and operation of any or all rolling stock especially equipped for the transportation of live stock and its products, as well as of stockyards, cold-storage and freezing plants and necessary appurtenances thereof, including the acquisition of real estate to permit the starting of independent packing plants, and branch warehouses, storage facilities, and marketing facilities. The President may through his designated agency merely license the use of such facilities and may also license all persons engaged in meat packing and interstate commerce, relating not merely to the operation of that business, but with respect to any business, direct or indirect, which the licensee may have in any other sort of interstate commerce. The Farmers' National Committee on Packing Plants and Allied Industries has suggested that the bill be amended to include dairy and poultry and business in any other food products, and to strengthen the licensing feature.

How the bill will benefit.—The producer. It will give producers and independent packers equal opportunity as regards stockyards, private refrigerator-car lines, cold-storage plants, branch-house system of wholesale distribution and market facilities, and also improve their credit facilities.

The consumer. It will facilitate the establishment of more packing plants near the areas of production of live stock and hogs, eliminate the waste of long transportation not only in freight rates, but in loss of meat, and permit reduction of prices. It will stimulate the production of more live stock and hogs. From 1910 to 1919 the population of the United States increased over 14 per cent. The number of cattle other than milch cows increased only about 13 per cent. The number of sheep actually decreased about 5 per cent. The improved methods of distribution of live-stock products will reduce costs and permit reduction in the price of meat products.

By preventing the attempted monopolization of the canned-goods, grocery, and other food-supply fields by the packers, and permitting competition, the bill will reduce the prices of most foodstuffs to the consumer.

What you can do.—The House Committee on Interstate and Foreign Commerce is considering the Sims bill, the Senate Committee on Agriculture another bill, but with power to act on the Sims-Kenyon bill. The following are the members of these committees:

House Committee on Interstate and Foreign Commerce: Thetus W. Sims, of Tennessee; Frank F. Doremus, of Michigan; Dan V. Stephens, of Nebraska; Alben W. Barkley, of Kentucky; Sam Rayburn, of Texas; Andrew J. Montague, of Virginia; Perl D. Decker, of Missouri; Charles P. Coady, of Maryland; Arthur G. Dewalt, of Pennsylvania; John S. Snook, of Ohio; Jared Y. Sanders, of Louisiana; John J. Esch, of Wisconsin; Edward L. Hamilton, of Michigan; Richard Wayne Parker, of New Jersey; Samuel E. Winslow, of Massachusetts; James S. Parker, of New York; Charles H. Dillon, of South Dakota; Burton E. Sweet, of Iowa; Walter R. Stiness, of Rhode Island; John G. Cooper, of Ohio.

Senate Committee on Agriculture: Thomas P. Gore, of Oklahoma; George E. Chamberlain, of Oregon; Ellison D. Smith, of South Carolina; Hoke Smith, of Georgia; Morris Sheppard, of Texas; Joseph E. Ransdell, of Louisiana; William H. Thompson, of Kansas; Edwin S. Johnson, of South Dakota; John B. Kendrick, of Wyoming; Francis E. Warren, of Wyoming; Carroll S. Page, of Vermont; Asle J. Gronna, of North Dakota; George W. Norris, of Nebraska; William S. Kenyon, of Iowa; James W. Wadsworth, jr., of New York.

Will you not immediately write or telegraph your two United States Senators and your Congressman, asking them to exert their utmost efforts to have the bill embodying the recommendations of the Federal Trade Commission on the

meat-packing industry promptly reported out of these two committees, asking them to see the members thereof on your behalf? Also write to the chairman and any members of these two committees from your State, requesting the prompt reporting of such a bill favorably. Less than six weeks of this session are left. You must act immediately to secure results.

Yours, truly,

C. H. GUSTAFSON.
GEO. P. HAMPTON.
ED. C. LASATER.
BENJAMIN C. MARSH.

Mr. PARKER of New Jersey. How many of those circulars were issued?

Mr. LASATER. I could not give you that information.

Mr. PARKER of New Jersey. Tens of thousands or hundreds of thousands?

Mr. LASATER. I could not answer you that, either, sir. My idea is that there would be less than 5,000 that were issued.

Mr. PARKER of New Jersey. They were intended for various persons throughout the United States, I take it. It is headed "Dear sir."

Mr. LASATER. Had we had the funds I do not doubt that hundreds of thousands of them would have been distributed, but lacking funds, I expect that less than 5,000 copies of the circular were actually sent out.

Mr. PARKER of New Jersey. It would not cost so much to print them. After you got the type set up it would not cost over a dollar a thousand to print them, I take it.

Mr. LASATER. Yes; but postage costs a good deal of money nowadays, you know.

Mr. PARKER of New Jersey. You could have sent out hundreds of thousands of them for comparatively a small sum of money.

Mr. LASATER. I am sure that we exhausted the funds we had for this purpose.

Mr. PARKER of New Jersey. Did you send them to various societies?

Mr. LASATER. Yes, sir; various farming organizations and societies.

Mr. PARKER of New Jersey. That circular contains various statements with reference to what is alleged to have been the behavior of the big-five packers and about profits swelled "by manipulating accounts," I believe are the words, and ends with the request that each person who receives the circular shall write his Congressman, and gives the names of the committee and asks that the person shall write us personally.

Mr. LASATER. We hoped that would be done.

Mr. PARKER of New Jersey. And you gave the name of every man on the committee so we would be written to.

Mr. LASATER. If the circular so states, that is right.

Mr. PARKER of New Jersey. So when you wanted this considered you wrote to people all over the United States to write to us?

Mr. LASATER. Yes, sir; we did.

Mr. PARKER of New Jersey. That is all.

The CHAIRMAN. Mr. Esch, you may now cross-examine the witness.

Mr. ESCH. Mr. Lasater, in your testimony on yesterday you stated your conversation with certain officials of the Department of Agriculture regarding this program with reference to securing the cost of beef products and said that this work had been assigned to the Bureau of Farm Management. You further stated that this work

was to be energetically prosecuted, but when you went to the Department of Agriculture just before you left for the meeting at Salt Lake City of the American National Live Stock Association that you found nothing had really been done; that the work had been practically countermanded; and that 13 or so field agents had been withdrawn; that you asked for the reason and were informed that the Secretary of Agriculture did not wish to give information as to cost, as it would give an argument to such people as those up in North Dakota; but that after you had gotten to Salt Lake City a telegram was sent to Secretary Houston by the president of your convention, who received a reply stating that the work was in progress, and that the department hoped to finish its work by the 1st of July; and you intimated that that telegram was absolutely in contravention of the truth. Have I stated your situation properly?

Mr. LASATER. In contravention of what I had been advised was the truth. I gave you my authority on yesterday and just how I came by those facts. But I do not think I referred to the people of North Dakota. I think the name of Congressman Baer was used by me as the class of agitators whom the Secretary stated would use the information on costs to agitate with.

Mr. ESCH. That was the man you had reference to.

Mr. LASATER. Congressman Baer is the man who Prof. Spillman said the Secretary stated would use the information for agitation.

Mr. ESCH. That is about it.

Mr. LASATER. I do not think I said 13 persons, but 13 studies that the Secretary of Agriculture had refused to give authority to prosecute.

Mr. ESCH. Then the telegram which Secretary Houston sent to the president of your convention at Salt Lake City was not founded in fact.

Mr. LASATER. It does not seem to me to have been founded in fact; no, sir.

Mr. ESCH. That instead of the work of finding cost to producers being prosecuted by the Bureau of Farm Management, Department of Agriculture, at the time the telegram was sent nothing was being done.

Mr. LASATER. At that time nothing was being done. But immediately afterwards, of course, they did start. At the time the telegram was sent, or, we will say, up to the day previous to its being sent, there was nothing being done. That was my information. But from that time on—I mean on the following day, as I recollect from the letter to me signed by Dr. Spillman—the day following the receipt of the telegram—he got authority to prosecute those studies.

Mr. ESCH. And he prosecuted those studies?

Mr. LASATER. Yes; as fast as practicable.

Mr. ESCH. Did he finish them?

Mr. LASATER. Some of them he did; and, as he states in his letter to me, which has been read into this record, they were in the hands of the Secretary on July 12 I believe is the date he mentioned.

Mr. ESCH. Were they ever made public?

Mr. LASATER. Not that I know of, except through this hearing of the Committee on Agriculture of the Senate, as I have stated. That is all of the publicity I can find these studies ever got.

Mr. ESCH. And they are incomplete.

Mr. PARKER of New Jersey. You have spoken of conferences between Mr. Hoover and the various packers. Were you present at those conferences?

Mr. LASATER. Never at a conference between Mr. Hoover and the packers.

Mr. PARKER of New Jersey. You said Mr. Hoover had conferences with the packers.

Mr. LASATER. He did.

Mr. PARKER of New Jersey. Were you present at those conferences?

Mr. LASATER. Never at a conference with the packers; never.

Mr. PARKER of New Jersey. So that you do not know of your own knowledge what took place?

Mr. LASATER. As between Mr. Hoover and the packers, no; I do not know of any live-stock men that were permitted to attend conferences between the packers and Mr. Hoover.

Mr. PARKER of New Jersey. Did they have conferences?

Mr. LASATER. They did have conferences with the packers.

Mr. PARKER of New Jersey. But you say you were not present at those conferences?

Mr. LASATER. Not with the packers.

Mr. PARKER of New Jersey. And therefore you speak only from inference as to anything that was said between Mr. Hoover and the packers?

Mr. LASATER. As far as what took place at those conferences, unquestionably; I was not present.

Mr. PARKER of New Jersey. I think that is all.

The CHAIRMAN. Mr. Doremus, do you wish to ask any questions?

Mr. DOREMUS. Have you told the committee what you think about the merits of this bill?

Mr. LASATER. No, sir; I have not gotten to the bills yet, Mr. Doremus.

Mr. DOREMUS. What do you think about it—is there anything in the bill that will—

Mr. LASATER. I want to admit that I am not a lawyer and not a legislator, but here is what I would hope to accomplish: I do not believe that our present system of slaughtering cattle is economical. I believe that you could guarantee to put the small packer in a position where he could finance himself on equal terms. I do not mean that the banking business should take more risks, but where a combination of individuals could offer a loan as safe as the paper of big packers I think they ought to be able to command credit at the same cost. Now, granted that condition, I believe you would have many slaughtering centers in the country, provided we could ship our stuff with the same facilities that the big packer can to the centers of consumption; and that after arriving at the centers of consumption we could command the marketing facilities. If the idea carried out in this bill was put into effect, there would be central markets in all the consuming centers; and where products from all over the country would be sold I believe there would be the trained ability which would go into the brokerage business that would handle all perishable products, just as you have trained salesmanship at live-stock markets, and I believe that we would be able to save to the country a very big shrink on cattle and excessive freight charges

that amount now to absolute waste. This saving would be from \$2 to \$6 per head. Mr. Swift admits the economy of slaughtering nearer the centers of production. Made effective, this will mean a saving of many millions of dollars and it will be a saving that it will be practicable to make.

Mr. DOREMUS. What is there in this bill that will increase the number of slaughtering centers?

Mr. LASATER. This: If you give me at the same rate the packer can command a refrigerator car, and furnish me the same service that the packer can command, to the centers of distribution, then give me the facilities for handling my product, the live-stock producer will do the rest; he will establish these slaughtering centers.

Mr. DOREMUS. Do I understand you to advocate that the railroads take over all of these special cars?

Mr. LASATER. Yes; I think the railroads should take over the cars—the transportation companies should take over the cars—and that every man using these cars should be able to command like service.

Mr. DOREMUS. What would be the advantage to the producers of live stock if the Government took over the stockyards?

Mr. LASATER. If the Government took over the stockyards, it will be an advantage to the producer. And one thing further, it would affect the producer in this way: I ship my cattle to Fort Worth. The cattle are sold on the basis of a fill; that is, the intent is to weigh them full and the price is made on the fill. If the yard company holds back my cattle for three or four hours before weighing them, most of that fill passes out; and while a packer fixes a price with the intent of the cattle being weighed on the fill, they are weighed several hours afterwards, which means several dollars loss to the producer. The buyer should not have that advantage.

Mr. DOREMUS. You do not believe that you, as a live-stock producer, have had a fair deal at the stockyards, as they are now being controlled?

Mr. LASATER. I do not; and that is the general impression.

Mr. DOREMUS. What about your experience in that regard?

Mr. LASATER. I related an incident regarding that. Were you here when I related my marketing a train of cattle last year?

Mr. DOREMUS. If you have already stated that, we will pass on.

Mr. LASATER. Let me mention one other thing that is not in the record. I think it was probably 1916, in the summer, that I was in Fort Worth with a shipment of my cattle. That was one of the days of a heavy run. My cattle sold in the morning. There were two sets of scales, one near the yard where my cattle were yarded and one some distance off. The near-by scales were not put in service in the forenoon, although there was more than an average run to handle that day, they did not commence weighing at them until the afternoon. My cattle were moved out into the alleys for the purpose of moving them to the more distant scales, and they stayed in the alleys two hours or more before they got to the scales, on account of a jam. That is one of the last experiences I have had in person. I happened to be on the market that day with this shipment of cattle.

Mr. DOREMUS. If those stockyards had been owned and operated by the Government, do you think the difficulty you encountered that day would have been avoided?

Mr. LASATER. I certainly think it would. Any efficient management would have avoided that. That would be immaterial, absolutely, to the producer if it was understood that a price is to be based on the gaunted cattle; but when the understanding is that it is going to be based on the filled cattle and, then the cattle are held back and can not be weighed for several hours, that is a discrimination in favor of the buyer. When the buyer is also the manager of the stockyards he has an advantage that I do not think ought to be allowed to exist.

Mr. DOREMUS. You think we will get more efficient management of stockyards in this country under Government ownership?

Mr. LASATER. I certainly think we would get fairer management.

Mr. DOREMUS. What do you think of a license system such as is proposed in this bill?

Mr. LASATER. I think it is very difficult to control a monopoly. I think if you take away from the monopoly the tools by which it has been able to create this monopoly, it certainly will be easier controlled, and, I think, under the conditions that the packer has the business to-day, the Government ought to have a supervision of his business. If you put him under license and, we will say, the law is reasonably effectively enforced, I think taking away the means by which he has created this monopoly—within 5 or 10 years, I think, we would have a different situation altogether. I do not believe you are going to be able to correct this thing overnight; a thing that has taken over 40 years to build up can not be cured by evolution that quickly.

Mr. DOREMUS. Assuming, for the purpose of the next question, that there is a live-stock pool or some sort of agreement between the big packers by which they exercise the commanding influence on the market for live stock, would the ownership of the stockyards by the Government tend to destroy or curtail that control which they now exercise over the live-stock market?

Mr. LASATER. You mean, simply controlling the live-stock yards alone?

Mr. DOREMUS. Yes.

Mr. LASATER. No; I do not think it would take away the packers' power.

Mr. DOREMUS. Would it decrease the price which the packer pays the live-stock producer?

Mr. LASATER. It would increase the amount the producer gets, because, as I say, if the cattle was sold on a basis of a fill, then they would be weighed when the cattle had that fill, if the yards were handled by some agency that wanted to be fair.

Mr. DOREMUS. Your view is that if the Government owned and controlled these agencies for distribution, that it would go a long way toward correcting the grievances of which the live-stock producer complains to-day?

Mr. LASATER. I think it would enable us to revolutionize the marketing system of the country. I do not think you could do it overnight, but over a stretch of years it would be done. I am perfectly willing to be patient if conditions will be created where well-laid plans can be made to bear

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1568

Investments:

Falfurrias Jersey Dairy Co.....	\$906,471.40
Falfurrias Mercantile Co.....	145,050.00
Copita Stock Farms Co.....	106,740.00
Cornell Miller Farms Co.....	52,974.11
Miscellaneous	19,539.52
	<u>\$1,229,775.03</u>

Advances:

Falfurrias Jersey Dairy Co.....	191,232.96
Copita Stock Farms Co.....	58,738.51
Lasater Power Co. loan account..	14,536.45
	<u>264,507.92</u>
	<u>\$1,494,282.95</u>

Inventories of live stock and crops:

Cattle (Exhibit G), 17,320 head....	790,779.74
Horses and mules (Exhibit G), 760 head..	57,000.00
Sheep, goats, Shetland ponies, crops, etc. . . .	14,676.88
	<u>862,456.62</u>

Accounts and bills receivable:

Bills receivable--	
Secured	\$200,078.47
Unsecured	47,936.74
	<u>308,015.21</u>
Accounts receivable--	
Trade accounts	30,702.05
Land contracts	79,899.14
	<u>418,616.40</u>
Less reserve for bad and doubtful accounts	12,000.00
	<u>406,616.40</u>

Cash 229,739.93

Deferred charges:

Prepaid interest.....	7,330.70
Bond discount and expenses	21,600.00
	<u>28,930.70</u>

4,835,271.98

LIABILITIES.

First mortgage 8 per cent gold bonds:

Maturing July 1, 1923, secured by ranch lands and cattle, issued--outstanding	\$777,500.00
--	--------------

Purchase money obligation:

Amount due State of Texas	170,423.66
-------------------------------------	------------

Bills and accounts payable:

Bills payable	\$760,000.20
Accounts payable	\$15,462.38
Accrued interest	61,395.30
Accrued taxes.....	11,500.00
Accrued wages	1,328.81
	<u>89,686.49</u>
	<u>\$40,785.00</u>

Deferred commission on land sales:

Miller Bros	15,087.93
Lasater-Miller Co.....	43,501.87
	<u>58,589.80</u>

Reserves:

Deferred ranch and farm lands sales	61,529.00
Realtos Railroad bonus reserve	25,851.24
Insurance reserve	6,300.22
Depreciation reserve	23,579.75
	<u>117,320.30</u>

Ed C. Lasater, capital account:

Balance June 30, 1915 (Exhibit B)	2,861,652.53
	<u>4,835,271.98</u>

1564 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Income account, July 1, 1909, to June 30, 1915.

	6 years ending June 30, 1915.	
Amount written off investment in Falfurrias Jersey Dairy Co., representing losses to Dec. 31, 1914.....	\$94,328.00	
Losses on sundry investments.....	21,635.40	
Interest paid on bonds and loans.....	574,493.08	
Proportion of bond discount written off.....	5,400.00	
Balance carried to Ed. C. Lasater, capital account.....	713,719.64	
Debit.....		\$1,409,576.72
Balance transferred from ranch profit and loss account representing profit arising from sales of cattle and from increase in valuation of herd (Exhibit C).....	999,684.53	
Profit on sales of ranch and farm lands to sundry purchasers.....	287,145.78	
Dividends and income received from investment in Falfurrias Mercantile Co.....	119,370.22	
Income from sundry investments.....	3,376.19	
Credit.....		1,409,576.72

Capital account, July 1, 1909, to June 30, 1915.

Balance of capital account at July 1, 1909.....	\$1,513,674.01	
Add: Adjustment of ranch and farm lands account.....	7,041.11	
		\$1,520,715.12
Book profit on sale of 40,000 acres to Falfurrias Jersey Dairy Co. in June, 1911:		
Sale price.....	948,770.50	
Book value.....	211,600.00	
		737,170.50
Appreciation in value of lands purchased.....		64,829.51
Transferred from Ed. C. Lasater income account, above.....		713,719.64
		8,036,434.77
Deduct: Personal drawings and house account during six years ending June 30, 1915.....		174,782.24
Balance of capital account at June 30, 1915.....		2,861,652.53

Profit and loss account, ranch operations, July 1, 1909, to June 30, 1915.

Inventories at beginning
of periods:
Cattle—

	5 years ending June 30, 1914.	Year ending June 30, 1915.	
Ranch.....	\$369,177.62	\$674,839.77	
Territory.....	182,879.72		
Jersey.....	11,353.60		
Horses and mules.....	41,605.00	51,258.75	
Sheep and goats.....	264.00	763.78	
	\$605,279.94		\$726,862.30
Purchases:			
Cattle—			
Ranch.....	28,099.67	5,141.34	
Jersey.....	105,807.65		
Horses and mules.....	32,174.45	4,527.25	
Sheep and goats.....	81,267.82	661.42	
Shetland ponies.....		7,182.50	
Cotton.....	223,746.00		
	391,095.59		17,512.51

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1565

Expenses:

Ranch, general (Exhibit E) -----	\$162,999.82	\$27,508.23	
Ranch feed -----	246,583.44	18,273.34	
Ranch land rentals---	34,857.63	1,711.93	
Territory, general ---	11,074.20	-----	
Territory, feed -----	41,585.32	-----	
Territory, land rentals -----	7,037.03	-----	
Dairy, general -----	45,092.73	-----	
Dairy, feed-----	51,545.21	-----	
Farm, general-----	27,628.09	-----	
Farm, feed-----	16,129.82	-----	
Gln supplies -----	5,572.53	-----	
Gln labor-----	2,257.59	2,618.90	
General (Exhibit E)---	71,611.18	17,712.56	
Taxes -----	54,374.17	15,385.18	
Dwelling houses, stores, etc-----	15,039.10	3,737.44	
Depreciation-----	19,751.09	8,151.58	
Bad and doubtful accounts -----		3,535.53	
	<u>\$813,138.95</u>		<u>\$98,634.69</u>
	1,809,514.48		848,009.50
Balance representing profit arising from sales and from increase in valuation of herd before charging interest on bonds and loans-----	691,261.89		308,422.64
	<u>2,500,776.37</u>		<u>1,151,432.14</u>

Sales:

Cattle—

Ranch (net) -----	\$903,058.07	279,921.19	
Territory (net) ---	245,632.47	-----	
Jersey (net) -----	156,497.72	-----	
Horses and mules---	65,881.00	1,800.00	
Sheep and goats---	1,130.18	326.70	
Shetland ponies-----		460.00	
Dairy products ---	50,380.62	-----	
Cotton -----	223,502.34	-----	
Cotton seed and gin fees-----	13,577.77	3,917.67	
Sundries -----	7,591.50	1,995.38	
	<u>1,667,251.67</u>		<u>288,420.94</u>

Rents:

Ranch and farm lands---	90,865.83		
Dwelling houses, stores, etc-----	15,796.57	1,094.96	
	<u>106,662.40</u>		<u>1,094.96</u>

Inventories at end of periods:

Cattle, valued at prices obtaining during six months preceding inventory dates-----	674,839.77	796,779.74	
Horses and mules-----	51,258.75	57,000.00	
Sheep and goats-----	763.78	1,998.50	
Shetland ponies-----		6,138.00	
	<u>726,862.30</u>		<u>861,916.24</u>
	2,500,776.37		1,151,432.14

Cattle inventory as of June 30, 1915.

and up-----	347 head, at \$93.30-----	32,375.10
-----	147 head; cost-----	16,005.00

1566 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Cows:			
Yearlings and up	11,258 head, at \$56.33		\$634,163.14
Brahmas	45 head; cost		4,657.50
Steers:			
Yearlings	110 head, at \$35		3,850.00
Calves	5,422 head, at \$19.50		105,729.00
	17,329		

767,779.74

Summary of general expenses, six years, ending June 30, 1915.

Salaries	\$22,168.19
Legal and audit	24,082.25
Subscriptions and donations	13,300.94
Inventory adjustment	5,602.68
Stationery, printing, and postage	5,935.80
Telephone and telegraph	3,907.45
Express and drayage	1,006.54
Traveling expenses	753.81
Insurance	5,769.36
Automobile	6,658.72
Town camp supplies	2,951.80
	92,137.54
Less bills payable, written off	2,813.60
	89,323.94

Summary of ranch general expenses, six years, ending June 30, 1915.

Labor	\$96,385.99
Repairs	36,959.29
Camp supplies	57,162.77
	190,508.05

Balance sheet, June 30, 1916.

ASSETS.

Capital assets:			
Ranch and farm lands, 297,270.79 acres	\$1,498,496.01		
Improvements thereon since January 1, 1900	97,351.61		
	1,595,847.62		
Improved farm and mineral lands, 3,478.73 acres	130,284.30		
Falfurrias townsite, lots and blocks	33,913.34		
	1,760,045.26		
Cotton gins	\$13,148.34		
Dwelling houses and stores	36,199.58		
Office furniture and fixtures	4,282.94		
Hotel furnishings	5,551.40		
Harness and wagons	5,477.99		
Agricultural implements	2,286.16		
Sejita phone line	2,398.04	60,344.45	
Total capital assets			1,829,389.71
Investments and advances:			
	Investments.	Advances.	
Falfurrias Jersey Dairy Co.	\$866,283.31	\$263,656.29	
Copita Stock Farms Co.	150,603.62	11,827.69	
Falfurrias Mercantile Co.	145,050.00		
Lasater-Miller Co.	52,974.11	49,000.00	
Lasater Power Co.		23,407.22	
Miscellaneous	20,279.52		
	1,235,190.56	347,891.20	1,583,081.76

.GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1567

Inventories of live stock and crops:

Cattle, 16,314 head (Exhibit E)-----	\$738, 199. 00	
Horses and mules, 1,076 head (Exhibit E)-----	91, 837. 50	
Sheep, goats, packs, Shetland ponies, feed, etc-----	19, 530. 00	
		<u>\$849, 566. 50</u>

Accounts and bills receivable:

Bills receivable-----	307, 398. 25	
Accounts receivable-----		
Trade accounts-----	24, 129. 90	
Land contracts-----	79, 168. 48	
	<u>410, 696. 63</u>	
Less reserve for bad and doubtful accounts---	13, 497. 12	
		<u>397, 199. 51</u>

Cash -----	30, 556. 06
------------	-------------

Deferred charges:

Bond discount and expenses-----	32, 900. 00	
Prepaid legal fees-----	5, 000. 00	37, 900. 00
		<u>4, 727, 693. 54</u>

LIABILITIES.

First-mortgage 8 per cent gold bonds, maturing July 1, 1923, secured by ranch lands and cattle, issued, outstanding-----	\$976, 000. 00
Purchase-money obligation, amount due State of Texas-----	171, 030. 40

Bills and accounts payable:

Bills payable-----		
Secured -----	\$408, 200. 67	
Unsecured -----	61, 152. 00	
	<u>\$469, 352. 67</u>	
Accounts payable-----	9, 052. 24	
Accrued interest-----	55, 404. 95	
Accrued taxes-----	13, 000. 00	
Accrued wages-----	1, 879. 06	
	<u>79, 336. 25</u>	
		<u>548, 688. 92</u>

Deferred commission on land sales:

Miller Bros -----	10, 340. 13	
Lasater-Miller Co -----	61, 128. 97	
		<u>71, 469. 10</u>

Reserves:

Deferred ranch and farm land sales-----	67, 089. 97	
Realitos Railroad bonus reserve-----	34, 995. 26	
Insurance reserve-----	5, 803. 55	
Depreciation reserve-----	29, 265. 94	
		<u>137, 154. 72</u>

Ed. C. Lasater capital account, balance June 30, 1916, per an- nexed account (Exhibit B)-----	2, 823, 350. 40
	<u>4, 727, 693. 54</u>

Income account, year ending June 30, 1916.

**Amount written off investments representing losses
for year ending Dec. 31, 1915:**

Falfurias Jersey Dairy Co-----	\$39, 188. 09	
Copita Stock Farms Co-----	11, 068. 19	
		<u>\$50, 256. 28</u>

Loss on sale of gin No. 5-----	2, 287. 44
Interest paid on bonds and loans-----	115, 906. 08
Proportion of bond discount written off-----	3, 700. 00
Balance carried to Ed. C. Lasater capital account below-----	7, 418. 23

Debit-----	<u>179, 568. 03</u>
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1568 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Balance transferred from ranch profit and loss account, representing profits arising from sales of cattle and from natural increase of herd (Exhibit C)	\$75,968.33
Profit on sales of ranch and farm lands to sundry purchasers.....	48,720.27
Interest received on notes and loans.....	35,485.92
Dividends received from investments.....	19,393.51
Credit.....	179,568.03

Capital account, June 30, 1916.

Balance of capital account at July 1, 1915.....	\$2,861,652.53
Add:	
Equity in property acquired from C. B. Smith in satisfaction of obligation not carried on books.....	\$1,838.22
Bills receivable previously charged to personal account now considered collectible and reinstated	2,375.00
Claim on shipment of cattle May, 1915, paid by Texas-Mexican Railway Co.....	629.05
Sundry small credits.....	986.04
	5,828.31
	2,867,480.84
Deduct:	
Audit and legal fees.....	2,587.81
Amounts written off Copita Stock Farms Co., investment account, representing loss to Dec. 31, 1914	11,068.19
	13,655.50
	2,853,825.34
Add: Transfer from Ed. C. Lasater's income account above.....	7,418.23
	2,861,243.57
Deduct: Personal drawings and house account.....	37,893.17
	2,823,350.40

Profit and loss account, ranch operations, year ending June 30, 1916.

Inventories at beginning of period:	
Cattle	\$796,779.74
Horses and mules.....	57,000.00
Sheep and goats.....	1,998.50
Shetland ponies	6,138.00
Oxen	707.50
	\$862,623.74
Purchases:	
Cattle	5,056.70
Horses and mules.....	34,507.50
Sheep and goats.....	231.19
Jacks and Jennets.....	6,301.26
	46,096.65
Expenses:	
Ranch—	
General (Exhibit D).....	40,456.41
Feed	23,737.09
Land rentals	148.75
Algon camp expense.....	9,289.82
Farm—	
General labor	3,777.82
Camp supplies	1,032.04
Repairs and maintenance.....	1,794.77
Miscellaneous	4,940.52
Gin labor and expense.....	41.17
General (Exhibit D).....	16,667.64

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1569

Expenses—Continued.

Taxes	\$19,675.01	
Dwelling houses, stores, etc.	2,412.20	
Depreciation	7,687.87	
Bad and doubtful accounts	2,000.00	
		\$123,001.11
		1,042,381.50
Balance, representing profit arising from sales and from natural increase of herd, before charging interest on bonds and loans		75,908.33
		1,118,349.83
Sales:		
Cattle	\$247,664.57	
Horses and mules	3,215.00	
Sheep and goats	1,294.65	
Oxen	542.50	
Sundries, wool, hides, etc.	1,750.38	
		254,467.10
Rents:		
Ranch and farm lands	14,160.13	
Dwelling houses, stores, etc.	772.10	
		14,932.23
Inventories at end of period:		
Cattle, valued at opening inventory prices	738,199.00	
Horses and mules	91,837.50	
Jacks and Jennets	8,550.00	
Shetland ponies	7,685.00	
Sheep and goats	2,679.00	
		848,950.50
		1,118,349.83

Summary of general expenses, year ending June 30, 1916.

Salaries	\$1,959.20
Legal and audit	6,005.78
Subscriptions and donations	2,166.22
Stationery, printing, and postage	618.87
Telephone and telegraph	934.75
Express and drayage	42.84
Insurance	1,000.00
Automobile	3,849.98
Total general expenses	16,667.64

Summary of ranch general expenses, year ending June 30, 1916.

Labor	\$18,794.67
Repairs	16,322.54
Camp supplies	5,339.20
Total ranch general expenses	40,456.41

Cattle inventory as of June 30, 1916.

Head.	Description.	Price per inventory	Amount.
10,790	Cows and heifers	\$54.00	\$581,840.00
44	Cows, Brahmas	100.00	6,400.00
211	Bulls	90.00	19,170.00
178	Bulls, Brahmas	115.00	20,470.00
237	Steers	35.00	8,295.00
5,232	Calves	19.50	102,024.00
16,314			738,199.00

1570 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Balance sheet, June 30, 1917.

ASSETS.		
Cash.....		\$10,720.19
Notes receivable:		
Secured.....	\$218,152.80	
Unsecured.....	4,586.39	
Accrued interest.....	16,098.73	
	<u>238,837.92</u>	
Less—		
Deferred commis-		
sions.....	\$36,165.71	
Allowance for		
doubtful.....	12,000.00	
	<u>48,165.71</u>	
		190,672.21
Accounts receivable:		
Real estate contracts.....	58,241.71	
Less deferred commis-		
sions.....	15,232.96	
	<u>43,008.75</u>	
Sundry accounts.....	2,647.60	
Less allowance for		
doubtful.....	1,000.00	
	<u>1,647.60</u>	
		44,656.35
		<u>\$246,057.75</u>
Live stock:		
Cattle, 16,776 head (Exhibit D).....	852,032.15	
Horses and mules.....	65,253.25	
Jacks and jennets.....	9,450.00	
Shetland ponies.....	8,250.00	
Sheep and goats.....	2,576.00	
		<u>937,561.40</u>
Inventories:		
Feed on hand.....	3,510.00	
Growing crops (estimate).....	9,250.00	
Supplies.....	643.50	
		<u>13,403.50</u>
Other assets:		
Life insurance, cash value.....	73,681.29	
Tenants' and employees' accounts.....	\$7,145.64	
Less allowance for doubtful.....	2,000.00	
	<u>5,145.64</u>	
Advanced to allied interests.....	174,795.07	
Securities owned.....	969,312.01	
Notes receivable.....	474,829.74	
Cash (railroad bonus).....	6,518.11	
		<u>1,704,281.86</u>
Land and equipment:		
Land and improvements—		
302,233.82 acres; value.....	\$1,948,985.58	
Less reserve for depreciation....	27,359.12	
	<u>1,921,626.46</u>	
Fixtures and equipment.....	42,929.59	
Less reserve for depreciation....	8,659.72	
	<u>34,269.87</u>	
		1,955,896.33
Deferred:		
Unamortized bond sale expense.....	28,200.00	
Prepaid interest.....	7,817.30	
		<u>36,017.30</u>
Total assets.....		<u><u>4,893,214.14</u></u>

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1571

LIABILITIES.

Notes payable	\$662, 288. 03	
Accounts payable	5, 932. 34	
Accrued accounts:		
Taxes	\$13, 000. 00	
Interest	9, 413. 91	
	<u>22, 413. 91</u>	\$690, 634. 28
First mortgage bonds maturing July 1, 1923	1, 110, 000. 00	
State of Texas, school land obligations	171, 635. 12	
	<u>1, 281, 635. 12</u>	
Reserve accounts:		
Railroad bonus account	37, 635. 48	
Land sales not deeded	47, 672. 55	
Fire protection	6, 803. 55	
	<u>92, 111. 58</u>	
Falfurrias machine shops, deposit account	2, 955. 65	
	<u>\$2, 067, 336. 63</u>	
Ed. C. Lasater account:		
Balance per books July 1, 1916	2, 823, 350. 40	
Add net adjustments	75, 269. 40	
	<u>2, 898, 619. 89</u>	
Adjusted balance July 1, 1916	2, 898, 619. 89	
Less—		
Loss for the year (per statement of income and expense)	\$56, 748. 85	
Personal withdrawals	15, 993. 53	
	<u>72, 742. 38</u>	
		<u>2, 825, 877. 51</u>
Total liabilities		4, 893, 214. 14

Income and expense for the year ended June 30, 1917.

INCOME.

Ranch operation, per exhibit	\$167, 058. 27	
Farm operation, per exhibit	2, 069. 18	
Real estate operations	21, 616. 31	
	<u>\$190, 743. 76</u>	

EXPENSE.

General and administrative:		
Automobile	3, 238. 35	
Taxes	17, 689. 16	
Salaries	2, 729. 00	
Legal and court expense	6, 229. 94	
Subscriptions and donations	1, 659. 67	
Labor	1, 681. 11	
Repairs	1, 436. 76	
Supplies	689. 45	
Insurance	1, 000. 00	
Telephone and telegraph	954. 16	
Stationery, printing, and postage	558. 80	
Auditing	811. 64	
Express	12. 56	
	<u>38, 690. 60</u>	
Operating profit		152, 053. 16
Other deductions:		
Interest paid	\$143, 693. 62	
Less interest earned	31, 796. 47	
	<u>\$111, 897. 15</u>	
Writing down book value of securities owned (per exhibit)	61, 650. 82	

1572 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Other deductions—Continued.

Duval County legal expense-----	\$11,072.84	
Loss on Park Hotel operations-----	1,372.47	
Amortized bond-sale expense-----	4,700.00	
Depreciation (per exhibit)-----	7,548.04	
Storm-loss repairs-----	6,390.59	
Allowance for doubtful accounts and notes-----	6,815.27	
Loss on sale of Benavides Telephone Co. stock-----	195.00	
	<hr/>	\$211,642.18

Other income:

Sundry sales-----	1,254.67	
Sundry adjustments-----	101.85	
Dividends on securities owned-----	708.90	
Sundry rents-----	775.35	
	<hr/>	2,840.17
		<hr/>
		\$208,802.01

Net loss-----	56,748.85
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Ranch operations for the year ended June 30, 1917.

INCOME.

	Cattle.	Horses, mules, etc.	Total.	Grand total.
Sales, net-----	\$146,598.93	\$24,905.03	\$171,503.96	\$171,503.96
Cost of sales:				
Inventory, July 1, 1916-----	138,190.00	110,751.50	248,941.50	
Purchases-----	5,112.00	1,394.30	6,506.30	
Expense-----	10,272.61	851.16	11,123.77	
Total cost-----	10,272.61	851.16	11,123.77	
Inventory, June 30, 1917---	852,032.15	85,529.25	937,561.40	
			<hr/>	70,980.83
Total-----				242,484.79
Add fee received-----				37.50
				<hr/>
Gross profit-----				242,522.29
Gross profit, per above-----				242,522.29
Less ranch expense:				
Feed-----			\$33,421.81	
Camp supplies-----			9,217.58	
Labor-----			14,696.22	
Maintenance-----			16,362.78	
Town camp supplies-----			1,765.63	
			<hr/>	75,464.02
Ranch profit-----				167,058.27

Farm operations for the year ended June 30, 1917.

INCOME.

Sejita crop:		
Productions-----	\$11,694.42	
Less crop expense-----	17,420.75	
	<hr/>	\$5,728.33
Realitos crop:		
Productions-----	9,017.22	
Less crop expense-----	2,782.44	
	<hr/>	6,234.78
Prairie hay:		
Productions-----	1,000.00	
Less harvesting expense-----	151.50	
	<hr/>	848.50

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1573

Feed crop:		
Productions	\$5,440.00	
Less crop expense	965.12	
		\$4,474.88
Palfurrias farm rents		1,081.78
Total		6,868.56

EXPENSE.

Camp supplies	489.42	
Feed	699.70	
Labor	1,494.46	
Maintenance	1,174.85	
Supplies	936.45	
		4,794.38
Farm profit		2,069.18

Live stock, June 30, 1917.

Description.	Quantity.	Price.	Value.
Cattle:			
Registered Hereford cows and heifers	101	\$232.00	\$23,432.00
Registered Hereford bulls	25	369.00	9,225.00
Brahma cows and heifers	89	100.00	8,900.00
Brahma bulls	192	115.00	22,080.00
Cows and heifers	9,938	59.40	590,317.20
Bulls	224	112.80	25,267.20
Feed steers	469	63.00	29,547.00
Steers	1,223	35.00	42,805.00
Calves	4,515	22.25	100,458.75
Total			852,032.15
Horses:			
Stallion "McDonald"			1,000.00
Stallion "Rex"			500.00
Stallions	2	250.00	500.00
Do	3	150.00	450.00
Brood mares	162	100.00	16,200.00
2-year-olds	58	90.00	5,220.00
Yearlings	45	70.00	3,150.00
Colts	46	50.00	2,300.00
Spanish ponies	106	31.65	3,323.25
Old horses	27	50.00	1,350.00
Mule colts	33	50.00	1,650.00
Saddle and work horses	329	90.00	29,610.00
Total			65,253.25
Jack and jennets:			
Jacks	7	500.00	3,500.00
Jennets	33	100.00	3,300.00
Jack yearlings	6	200.00	1,200.00
Jennet yearlings	8	75.00	600.00
Jack colts	6	100.00	600.00
Jennet colts	5	50.00	250.00
Total			9,450.00
Scottish ponies:			
Stallions	2	90.00	180.00
Mares	53	90.00	4,770.00
Colts	2	75.00	150.00
2-year-olds	12	85.00	1,020.00
Yearlings	17	75.00	1,275.00
Colts	19	45.00	855.00
Total			8,250.00
Sheep and goats:			
Sheep	236	5.00	1,180.00
Goats	698	2.00	1,396.00
Total			2,576.00
Grand total			937,561.40

1574 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

June 30, 1918.

BALANCE SHEET.

ASSETS.			
Cash			\$57, 771. 79
Notes receivable and bonds:			
Secured	\$249, 497. 41		
Unsecured	5, 424. 44		
		254, 921. 85	
Less deferred commissions	\$33, 564. 78		
Allowance for doubtful	12, 000. 00		
		45, 564. 78	
			209, 857. 07
Accounts receivable:			
Real estate contracts	94, 267. 94		
Less deferred commissions	29, 294. 42		
		64, 973. 52	
Sundry accounts	7, 015. 21		
Less allowance for doubtful	1, 000. 00		
		6, 015. 21	
			70, 988. 78
			\$838, 117. 59
Live stock:			
Cattle, 15,178 head (Exchange C)		814, 591. 35	
Horses and mules		72, 768. 25	
Sheep and goats, jacks and jennets, and Shetland ponies		21, 745. 00	
			909, 106. 60
Inventories:			
Feed on hand		2, 688. 00	
Growing crops (estimated)		16, 900. 00	
Supplies		486. 20	
			20, 074. 20
Other assets:			
Life insurance, cash value		82, 465. 58	
Tenants' and employees accounts	\$2, 028. 73		
Less allowance for doubtful	298. 66		
		1, 730. 07	
Advances to allied interests		259, 431. 09	
Securities owned		950, 085. 97	
Notes receivable		477, 931. 15	
Cash (railroad bonus)		9, 958. 55	
			1, 781, 602. 41
Land and equipment:			
Land and improvements	acres-- 293, 469. 70		
	value-- \$1, 954, 535. 39		
Less reserve for depreciation	32, 193. 72		
		1, 922, 341. 67	
Fixtures and equipment	43, 961. 11		
Less reserve for depreciation	13, 876. 48		
		30, 084. 63	
			1, 952, 426. 30
Deferred:			
Unamortized bond sale expense		23, 500. 00	
Prepaid interest		5, 825. 73	
			29, 325. 73
Total assets			5, 030, 652. 83

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1575

LIABILITIES.

Notes payable:			
Secured-----	\$799,258.73		
Unsecured-----	56,100.00		
		\$855,358.73	
Accounts payable:			
Bank overdraft, pay- roll account-----	2,398.84		
Supplies, expenses, etc-----	452.36		
Tenants' and em- ployees' accounts-----	206.03		
		3,057.23	
Accrued accounts:			
Taxes (estimated)-----	11,151.62		
Accrued interest-----	240.46		
		11,392.08	
			\$869,808.04
First mortgage gold bonds maturing July 1, 1923-----	1,080,000.00		
State of Texas:			
School land obligations-----	171,535.19		
		1,251,535.19	
Reserve accounts:			
Railroad bonus accounts-----	40,047.43		
Land sales not deeded-----	76,210.63		
Fire protection-----	7,803.55		
		124,061.61	
Falfurrias machine shop:			
Deposit account-----		1,492.61	
			\$2,246,897.45
Ed. C. Lasater capital account:			
Balance July 1, 1917-----	2,825,877.51		
Less.—Loss for the year (per statement of income and ex- pense)-----	19,951.06		
Personal withdrawals-----	22,171.07		
		42,122.13	
			2,783,755.38
Total liabilities-----			5,030,652.83

Income and expense for the year ended June 30, 1918.

INCOME.

Ranch operations, per exhibit-----	\$131,056.19	
Farm operations, per exhibit-----	4,566.01	
Real estate sales-----	23,017.60	
		\$158,639.80

EXPENSE.

General and administrative:		
Automobile-----	\$2,436.91	
Dwelling houses, stores, etc.—		
Supplies-----	793.75	
Labor-----	1,974.99	
Repairs-----	232.39	
Express and drayage-----	22.95	
Insurance-----	1,000.00	
Legal and auditing-----	3,635.20	
Salaries-----	2,081.82	
Stationery, printing, and postage-----	666.70	
Subscriptions and donations-----	2,429.83	
Telephone and telegraph-----	1,090.83	
Taxes-----	22,506.84	
		38,872.21
Operating profit-----		119,767.59

1576 GOVERNMENT, CONTROL OF MEAT-PACKING INDUSTRY.

Other deductions:

Interest paid	\$141,307.89	
Less interest earned	30,814.73	
		\$110,493.16
Writing down value of Falfurrias		
Jersey Dairy Co. stock.....	19,226.04	
Amortized bond sale expense.....	4,700.00	
Adjustment Lasater-Miller account..	911.50	
Depreciation.....	10,051.36	
Allowance for doubtful accounts and		
notes.....	2,000.00	
Railroad claims charged off.....	224.95	
Loss on Park Hotel operations.....	3,330.85	
		\$150,937.86

Other income:

Sundry small sales.....	1,343.79	
Increase surrender value of		
life insurance policies....	8,784.29	
Less premium paid.....	7,960.10	
	824.19	
Auto truck transportation profit.....	1,375.00	
Recoveries on railroad claims.....	449.90	
Dividends and premiums.....	48.30	
Decrease in school-land obligations..	99.93	
Sundry rents.....	7,078.10	
		11,219.21
		\$139,718.65
Net loss.....		19,951.06

Ranch operations for the year ended June 30, 1918.

INCOME.

	Cattle.	Horses, mules, etc.	Total.	Grand total.
Sales (net)	\$258,571.66	\$3,456.90	\$262,028.56	\$262,028.56
Cost of sales:				
Inventory, July 1, 1917	852,032.15	85,529.25	937,561.40	
Purchases	170.00	100.00	270.00	
Expense		558.65	558.65	
Total cost			938,390.05	
Inventory June 30, 1918	814,591.35	94,515.25	909,106.60	
				29,283.45
Gross profit.....				232,745.11
Less ranch expense:				
Feed.....			51,812.03	
Camp supplies.....			11,976.28	
Labor.....			19,762.86	
Maintenance			14,864.10	
Town camp supplies			3,273.65	
				101,688.92
Ranch profit				131,056.19

Farm operations, year ending June 30, 1918.

Income:	
Corn.....	\$4,900.00
Cotton	2,000.00
Broom corn	3,440.98
Feed	9,594.66
	\$19,935.64
Less general-crop expense	12,445.25
Total	7,490.39

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1577

Expense:

Camp supplies.....	\$78. 55	
Feed.....	20. 50	
Labor.....	1, 269. 62	
Maintenance.....	736. 45	
Supplies.....	819. 26	
		<u>\$2, 924. 38</u>

Farm profit 4, 566. 01

Live-stock inventory, June 30, 1918.

Description.	Quantity.	Price.	Amount.
Cattle:			
Registered Hereford cows and heifers.....	104	\$235. 00	\$24, 128. 00
Registered Hereford bulls.....	2	369. 00	738. 00
Brahma cows and heifers.....	131	100. 00	13, 100. 00
Brahma bulls.....	514	112. 80	57, 969. 20
Yearling steers.....	726	35. 00	25, 410. 00
2-year old steers.....	45	50. 00	2, 250. 00
Cows and heifers.....	10, 421	59. 40	619, 007. 40
Total.....			<u>814, 591. 35</u>
Horses and mules:			
Stallions.....	5		1, 450. 00
Brood mares.....	178		17, 800. 00
Colts.....	108		6, 740. 00
Saddle and work horses and mule colts.....	607		46, 778. 25
Total.....			<u>72, 768. 25</u>
Jacks and jennets.....	53		10, 250. 00
Shetland ponies.....	136		8, 175. 00
Sheep and goats.....	1, 250		3, 322. 00
Grand total.....			<u>909, 106. 60</u>

Mr. ESCH. Was your own experience that of the cattle raisers in your immediate region?

Mr. LASATER. I think I fared much better than they did, because I escaped losses. I think I fared much better than the average. While my feed bill has been heavy, I escaped death losses. If you take the ranch interests from the Gulf to the Canadian line, I think I would be above the average.

Mr. ESCH. Of course,, you realize that in time of war all industries, except possibly those immediately connected with munitions, must suffer to some extent—that is to say, most industries have not the opportunity to profiteer, and while we would all be glad to get our proportionate share and make profits we all realize that under war conditions it is not possible, and every trade and business, therefore, must share some loss and inconvenience during the period of the war. Do you think the cattle-raising business was subjected to a greater average loss than other businesses of the country, exclusive of munitions?

Mr. LASATER. I do not think there is any question about it. Will you permit me, just along this line, to show you why I came to some of my conclusions?

Mr. ESCH. Go ahead.

Mr. LASATER. I want to relate an incident. Mr. Cotton was in my office before he was appointed chief of the Meat Division of the Food Administration, and we were discussing the packer situation as compared to the live-stock producers. I suggested to Mr. Cotton

that the Food Administration should treat the live-stock producer and the packer as part of a great machine and both indispensable. I suggested that the only thing necessary to do to have the producer do his best was to convince him that he was going to have the same fair treatment from the Food Administration as the packer would get, and I suggested that the Food Administration at once take steps to advise the country that the producers would be fed out of the same spoon as the packer was fed; that is, that the profits of the producer would be as much as the packer was allowed to make. Mr. Cotton's reply was, "Why, you wouldn't have anybody to eat meat if you were to do that." I said, "I realize, Mr. Cotton, if you were to give to the producers the packers' profits you would put prices up to where meat could not be consumed; but we realize that we are at war and there must be self-denial. Why not give the packer the producer's profit during the war?" The producers take large risks, and that seems to be fair. I do not see how any man could criticize that proposition; but as far as Mr. Cotton was concerned there was nothing else to discuss after that.

Now, Mr. Esch, let me discuss another thing. You have had the packers before you, and one of them, Mr. Morris, congratulated the country that there had been one great industry that had been able to carry itself and that the National Government had not been called upon to finance. The packers were placed in this position: They had the products to the value of hundreds of millions passing through their hands and the National Government said, "You can take cost and expense plus such and such profit." When you go into it, they are not limited to 9 per cent, with the balance passed back to the producers. Would any industry so situated have any trouble in commanding all the money it needed? Compare what has followed from November 1, 1917, when the packers were placed under license; compare what followed to them in the financial world with what occurred to the producers. We found it impossible to sell our paper within a year, impossible to handle our paper within the year.

Mr. Esch. That leads me to another inquiry: You have stated that the farmer's business was handicapped by high charges for money borrowed.

Mr. LASATER. Yes, sir.

Mr. Esch. That wouldn't be true in my country. Our farmers are able to borrow money upon their farm land at a comparatively low rate of interests—5 and 6 per cent—which is much less than our manufacturers and merchants have to pay. Does the farm loan act give any advantage to the farming communities in your section by giving and assuring a rate of interest not in excess of 5 per cent?

Mr. LASATER. Yes; but the Department of Agriculture states—and I forget which one of its various departments makes the statement—that there are about \$4,000,000,000 of farm loans in the country. I have a bulletin somewhere on that matter, the Breeders Gazette, one of the reliable farm papers in the country, states that on December 1, 1918, the total amount of these particular farm loans was about \$140,000,000. I want to be exact and will hunt up the clipping and give it to you, as I have it: but for the present, think of what a comparison—\$4,000,000,000 with \$140,000,000. Really, while as a matter of fact I approve the act all right and think in the course

of time it may have some influence, as yet, however, we have not felt that influence. It is handling such a very small part of the needs of the country that it has had no influence on our rates of interest or on our ability to do things.

Mr. ESCH. But, it has been adopted in those sections of the country where most needed, and to that extent it has a very material effect.

Mr. LASATER. I think as time goes on it will have its effect; but as I have stated, there is not enough of that money getting into use yet to in any way change the situation.

Mr. ESCH. My recollection is that the total amount of farm loans is now \$153,000,000, but I may be wrong.

Mr. LASATER. I have the clipping right here if you will permit me to turn to it.

Mr. ESCH. You may insert it.

Mr. LASATER. I have it right here. Here it is. This is from the Breeders' Gazette, and on December 1, 1918, the total amount of mortgage loans was \$147,452,861 and numbered 64,357 borrowers:

LAND BANK LOANS.

During the month of November \$8,079,605 were loaned to 3,278 farmers of the United States by the Federal land banks on long time first mortgages. The Federal Land Bank of Spokane leads in amount of loans closed, \$1,246,800, with the Federal Land Bank of St. Paul running slightly behind in amount, \$1,232,100. The other 10 banks closed loans in November as follows: Houston, \$1,040,082; Wichita, \$711,100; New Orleans, \$600,650; Louisville, \$565,400; Omaha, \$529,000; St. Louis, \$522,623; Berkeley, \$506,600; Columbia, \$422,230; Springfield, \$395,420; and \$307,600. On December 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$147,452,861 numbering 64,357 borrowers. During November 5,385 applications were received asking for \$17,259,878. During the same period 4,836 loans were approved, amounting to \$12,809,101. Altogether 162,294 have applied for loans under this system, aggregating \$406,542,109.

Mr. ESCH. My figures are really a little later than yours.

Mr. LASATER. Well, I give you my authority.

Mr. ESCH. Your data is as of December 1, 1918.

Mr. LASATER. Yes, sir; that is right.

Mr. ESCH. And of course under the farm loan act only 50 per cent of the value of improvements are loanable, is that right?

Mr. LASATER. That is my understanding.

Mr. ESCH. If the activity of the Farm Loan Board can be extended to make loans upon crops and herds would you approve such a proposition?

Mr. LASATER. I would, if it would be done under some conservative and sensible system that would enable you to get action. Now, Mr. Esch, I do not think you could do any good to the producers or consumers by inaugurating any system that would necessarily bring about large losses. I do not think that would be a good thing, but I do think that direct loans could be made with perfect safety, and if a business has proven itself capable of paying 10 per cent with reasonable assurance, certainly it could pay 5 per cent.

Mr. ESCH. If we were to extend the farm loan act to cover crops and herds, it would have a tendency to lower the amount of interest which farmers and producers have to pay, and that would avoid or meet one of the objections you have raised.

Mr. LASATER. I think it would; yes, sir.

Mr. ESCH. In your opinion, that is desirable legislation?

Mr. LASATER. I do think it is desirable legislation. I think anything is desirable that will cheapen the cost of production.

Mr. ESCH. But that is beyond the jurisdiction of this committee.

Mr. LASATER. That may be, though I am not passing on that, Mr. Esch.

Mr. ESCH. I am trying to get your views in order to see whether there is any system now existing or which could be easily created which will meet the objection you have made of high cost of money borrowed by the producers and farms. And you think that would be a proper method to meet that objection.

Mr. LASATER. I do; yes.

Mr. ESCH. That is all.

The CHAIRMAN. Mr. Lasater, as Mr. Esch and I both have to go this afternoon to the water power conference, I will ask you a few questions this morning.

Now, you know, of course, what the provisions of this bill are, and the possibilities under it, and you know perhaps what in substance was the reason why it was suggested for remedying certain conditions reported on by the Federal Trade Commission.

Speaking by and largely of the statements of the large packers before this committee, they were that the Federal Trade Commission had not treated them fairly but had treated them unjustly, and that they had not had an opportunity, the opportunity they thought they ought to have had, to explain what appeared to be damaging evidence before the same was given to the public. And in their various attacks on the methods of the Federal Trade Commission they have, of course, thought to impair and weaken the recommendations of the Federal Trade Commission with reference to their business. And they have, indirectly, of course, made an attack upon Government institutions, which institutions are supposed of course to have no interest other than the public interest to serve. That is one of their methods of meeting the situation. It is not for me to say how far it has been met, or anything of that kind, because our deliberations will come after we close the hearing.

Now, Mr. Lasater, you come in and give certainly very illuminating and relevant testimony, especially during the whole of the first day of your appearance, and then since you have made your statement in chief, you have given very interesting testimony all the way through, but a part of your testimony has tended to discredit the Food Administration, or at least some of those having directory or managerial powers in connection with the Food Administration. While the Food Administration is a temporary affair, lasting only during the war, yet it is a Federal institution, a Government agency.

Furthermore, a part of your testimony, of course, tends to discredit the action of the Department of Agriculture, which is a permanent institution, organized not only for the duration of the war but for all time to come. So in a way the testimony pro and con as far this bill is concerned, I mean that has been given on this bill, is to discredit or attempt to discredit at least three Government agencies or bureaus or departments.

Now, Mr. Lasater, it is alleged by yourself, and your reasons are given for that allegation, and they seem to be very strong, and they coincide in part with what has been done by the Federal Trade Com-

mission, that the packers on account of their great business and money power had discriminating favors shown them by the transportation companies. That has been testified to by gentlemen from Chicago other than yourself; and that therefore the packing companies, who are large patrons of the transportation companies, perhaps as large as any other one industry in the United States, have an undue influence with the railroads and receive discriminating favors. That is one of the reasons for seeking this legislation in an attempt to cure the situation. You state and give your reasons very clearly, which is in accord with the Federal Trade Commission's statement, that the packers have a very great influence with the banks of the country.

I suppose you do not simply mean national banks, but the banks generally, including national banks; that they have an undue influence; that is, an influence unequal to that of any competitor of the big packers. Also you make one statement, which seems to be very reasonable, and yet I do not know that you have suggested any remedy therefor, that the large packers on account of their credit and financial ability, and on account of the influence they seem to have with the banks as a class, get potentially a cheaper rate of interest for doing their business than the grower of cattle can get; and that by means of the guaranteed profit of 9 per cent on controlled articles under the Food Administration that they were enabled to charge whatever interest they might have to pay during the war control, I say, charge that interest up to operating expenses, and thereby pass it along to the consumer, and in that way they could pay a higher rate of interest without loss to themselves, a rate of interest which would be destructive to the cattle grower under the circumstances if he had to pay it.

Now, I have stated what I suppose to be your contentions in a general way. That is about correct, is it?

Mr. LASATER. Yes, sir; that is about correct.

The CHAIRMAN. Now, of course, the railroads are in the hands of the Government, and probably will be for 21 months after the proclamation of peace. I believe the Senators have introduced a bill to deprive the President of the power to return the railroads to private owners under the 21 months, or until such time as Congress may direct. So we have to look at this from the immediate situation; that is, as far as the railroads are concerned, and they are under the control of the Government and are being operated by it.

You did not dwell very long upon the different provisions of this bill. We necessarily have got to look at the matter from the standpoint whether or not:

First, shall we take from the packers their private cars, known as meat cars or refrigerator cars, and compel the Government while it operates the railroads to give the service and give it to all persons who need it, alike and on equal terms. So even if it is 21 months or 2 years or 12 months after that, the advantage obtained by these private cars, and the discrimination which is alleged to have been shown the large packers as against the small ones, or anyone else in the business, it would be absolutely necessary to do something between now and that time. In other words, it calls for legislative action immediately.

I believe you indorse that portion of the bill which provides for the Government to own the stockyards, or, in other words, if not that, that the packing industry should not own any portion of the stock in the stockyards companies. I believe that is your position, too.

Mr. LASATER. I do; yes. And I would like to state this now, Mr. Chairman: For instance, I do not think that if the public were advised to-day that we would have, we will say, 12 months or 2 years in which we would have railroad-operated refrigerator cars, or Government-operated refrigerator cars, it would not make any difference, because no man could afford to change his method of marketing his product with future conditions left uncertain. If we were going to change our plans for slaughtering and marketing our stuff, we must be able to plan for a longer period than two years.

The CHAIRMAN. I was leading up to that. I wanted to know whether the possible time that the railroads may remain under Governmental control, if it doesn't exist for 21 months, or doesn't exceed 21 months or 2 years, I mean, if it would not have the result of not giving time for the trade to adjust itself to that condition. Therefore do you or not think it wise to continue Government control of railroads beyond the period limited by law, 21 months following the proclamation of peace in so far as it may affect the cattle industry?

Mr. LASATER. I think in so far as it may affect the marketing of products in the cattle industry before you have any material change from present conditions you must have a permanent policy initiated, from the simple fact that no man can afford to make the expenditures necessary, or go into the business, unless he knows he is to have ample time to develop it, not one year but many years. He could not otherwise finance the matter.

The CHAIRMAN. Now, then, if the railroads are going back to their owners within two years, or within any reasonable limit of time, and they intend to take possession of their properties and their sources of credit, and can not prepare to finance themselves during the limited period that they are to be under public control sufficiently to meet this situation even though it should become permanent, why should the railroads be returned to their owners within that time?

Now, my question is, you wouldn't advise, or would you or not advise, the Government of the United States, with only temporary control, to spend the money necessary to be spent to take these cars over from the packers and turn them over to the railroads without even their assent, if private control should be resumed? That is the difficulty I see in the situation, and I thought maybe you had some practical solution to offer.

Mr. LASATER. I think this, that nothing but the whole people can act effectively, and the whole people means the National Government. And if the National Government is authorized to act, certainly some way should be found when the railroads are turned back to private ownership to handle refrigerator cars. It might be handled then by the National Government, and I think that maybe that could be solved when we get to it.

The CHAIRMAN. Both the present and the former Director General of Railroads say they have no power under the law to force the capital expenditure upon the railroads, except with the consent of the companies themselves. So I can see it is impracticable, unless

this time limit is extended, and unless we give the Director General of Railroads more power than he has under the existing law to finance that portion of control.

Now, what are your views with reference to whether it is better to let the stockyards remain as they are, subject to the ownership of any packer, great or small, who may have stock in them or may wish to acquire stock in them, or force the railroads, under the theory that they are to give terminal service, to acquire the stockyards and pay a proper amount therefor?

Mr. LASATER. I think unquestionably that the railroads should acquire the stockyards. I do not think that is a debatable question.

The CHAIRMAN. Then the same question arises during this uncertain period of control as to taking over the refrigerator cars; and I suppose a very large amount of money is involved in acquiring the stockyards, and it would require considerable financing to take them over now while the railroads are under Federal control, unless done by the consent of the railroads and the stockyards companies.

Then what do you say about the railroads operating the stockyards, together with the terminal facilities and the marketing features that go with them?

Mr. LASATER. I do not think there is any question that if the railroads handle all of the stockyards, it can be done successfully. Should you leave the packers in possession of some of the yards, where they could control the railroads by punishing them in the way of withholding freight, I do not think that control by a railroad of an occasional stockyard, like some you have shown here, could be successful. In those circumstances I do not believe there would be successful management of the stockyards by the railroads. But if all of the stockyards were handled by the railroads, and you take away from the packer the club that he holds by means of the immense shipment of freight, so that can not be used against the railroads, I think the railroads can and will handle the stockyards much more effectively to the producers of the country than at present.

I want to call the attention of the committee to one fact. It appears here that the Chicago stockyards, largely owned by Boston capital, and Mr. Armour being the only one of the packers in whom an interest has been established, which, we will say, is about 20 per cent of the whole, and Mr. Armour so stated; and I recall his statement to the Senate Committee on Agriculture, though I do not know whether it was brought out here, that he had personally nothing to do with the handling of the yards in Chicago—

The CHAIRMAN (interposing). I think he, in substance, stated that here.

Mr. LASATER. All right. It has been shown that there is some dissatisfaction with the way the Chicago yards are handled. Now, here is a case of a packer on the ground, and although he has an interest in the yards he did not know the situation and is trusting to his banker friend in Boston. I say, I do not see how the packers' statement that they must have the stockyards in order to give effective service can be maintained, with the situation that was described by Mr. Armour. The Chicago stockyards is one of the largest in the country, and, according to their own statement, these stockyards are handled by a banker living in Boston.

The CHAIRMAN. Then you do believe that so far as the stockyards are concerned that they could be operated by the transportation companies themselves or could be owned by the municipalities in which they are located or owned by independent companies not connected with the packers more to the public interest than they are now handled?

Mr. LASATER. I do not think there is any question about that, Mr. Chairman, except that I would like to make one qualification, that if the ownership of these various stockyards should pass from the packers to their banker friends they would exercise the same control as they do to-day.

Mr. ESCH. You said one of the alternatives was ownership by the municipality in which a stockyard was located. Of course, Congress has no power to take up the matter of municipal ownership.

Mr. LASATER. I do not care to enter into those discussions and do not know that they would be at all practical to apply to the situation. I think in many instances you can have municipal abattoirs operated to advantage; but that is something that you do not and will not pass upon. But in all these great market centers, I do not see how that question can be figured in as applying to this question at all.

The CHAIRMAN. This bill does not apply to stockyards where less than 500,000 head are handled per annum. It only applies to places where more than 500,000 head are handled.

What is your judgment as to whether or not the license provisions can be so framed as to provide such practical restrictions as would eliminate the matters of which you complain touching the operations of the large packers in interstate commerce? I know they have been licensed under the Food Administration, for war purposes, but I mean to adopt some form of licenses as a permanent policy, whether or not a license alone would reach the difficulty and whether a license could be so framed as to obviate the objectionable features of which there is complaint.

Mr. LASATER. I do not think you can have a license so framed; it is always going to depend upon the people who are executing it.

While from my standpoint the Food Administration has not been a success, still I was in favor of creating a food administration, and I would still be in favor of creating a food administration under like conditions. I think it was necessary to centralize authority, and if properly administered it would bring about the best results. But I do think where there is such centralized authority, whether under commissions now created or to be created, it should be answerable to Congress. It seems to me that when any man is requested to make a report to Congress and Congress votes a lack of confidence, or if any commission is asked to make a report to Congress and Congress votes a lack of confidence that that commission, or that part of it affected, should at once cease to function; or that the appropriations for that commission, or that department, should at once cease unless the President within a reasonable time should change the personnel of that commission. I think something of that kind has got to be done, because unless it is done you are ruled by a bureaucracy instead of by democratic institutions.

The CHAIRMAN. Let me suggest something that comes to my mind, and which is rather of a gloomy character, and it is this: If these

large packing industries, these large packing companies, can and do control the railroads, the stockyards, the banks, local and State authorities, local governments that are not United States Government controlled, and if they have had the power to unduly influence the war administration of the Government, the Food Administration, and if they have had influence sufficient to control the Department of Agriculture, which is created for the benefit of agriculture in all its ramifications, doesn't it rather lead to this conclusion: What is the use to give Government control of stockyards, or refrigerator cars, or transportation facilities, or marketing facilities, if the packers are going to come in and control them still through control of Government agencies? I am not controverting what you say about this, but accepting it at 100 per cent; but it does look to be a hopeless case if the packers can control private corporations as at present constituted, and also control Government departments and bureaus; and if so, wouldn't they equally control anything we may establish?

Mr. LASATER. I mean to say that when the country is once convinced that you can not have honest Government control, then you will be forced to adopt Government ownership.

The CHAIRMAN. Another thing: If the agencies through which the Government acts, under our form of government, are objects of suspicion, and if we admit that their conduct is such as to cause suspicion, doesn't it cause the people to lose confidence in our form of government?

Mr. LASATER. I do not think that this Congress can do a greater thing for its people than to restore the confidence of the people in our National Government. And I make the statement here, and those men who are in touch with conditions back home know it to be a fact, that the National Government to-day has not the confidence of the producers of this country.

The CHAIRMAN. Well, the people of a free government ought to have confidence in their administrative officers, undoubtedly.

Mr. LASATER. We know that, and it is essential to the perpetuity of our institutions that they do have confidence.

The CHAIRMAN. And the fact that a few officials may have yielded to temptation, or failed in some degree to discharge the duties of their office to the best interests of all the people, does not necessarily prove that the scheme of our Government, or the Food Administration, or the Department of Agriculture, as provided by law, is of itself imperfect and inefficient. An individual, or the individuals, put in charge of a bureau or department might yield to temptation or might fail to do their duty without there being inherently a defect in the institution or department itself. There might be confidence on the part of the people in the form of our Government and in its general provisions, and yet a lack of confidence shown in the manner in which some particular department or bureau is being administered.

Mr. LASATER. Yes, sir; I think that is correct.

Mr. RAYBURN. Mr. Chairman, are you asking Mr. Lasater questions or expressing opinions? After listening here I am constrained to ask, Are you propounding questions or making statements or observations? Do you believe that?

The CHAIRMAN. I want to say this, that Mr. Lasater has been before us two days and has gone over a great deal of matter, and as to

some of it I could not tell exactly how he intended to be understood. Therefore, as an expert witness before this committee and as a man who was at one time a "dollar-a-year man" in the Food Administration, I wanted to know which way he leaned; how he wished to be understood in his statements. As to the papers he has filed, which were very voluminous, in yesterday's examination, I wished to clearly understand his viewpoint. I was not intending to express my own opinion. But I do think if the people of the country have lost confidence in the agencies of their Government, certainly they have lost confidence in the Government itself and that such a situation would be a very serious one for us to contemplate.

Mr. CREIGH. Mr. Chairman, I want to get some information. Among some of the exhibits that Mr. Lasater has produced—and I want to get the information while he is here, and that is my reason for rising at this moment—he read a certain letter, or quoted from it, in which my name was mentioned. I hold in my hand a transcript of the hearing containing the statement I refer to made by Mr. Lasater, and as it is copied here, it seems to refer to my name, Thomas Creigh. I am quite sure that Mr. Lasater wants to make no inadvertent statement, and in order to be exact I wondered if he has here the original paper from which this is supposed to have been copied.

The CHAIRMAN. What is it from?

Mr. CREIGH. From a very long report from Mr. McManus.

The CHAIRMAN. Read the portion to which you refer.

Mr. CREIGH. There were certain signatures and initials on the end of the letter indicating those who had received copies of the letter. From the statement here it appears that my name was written in in lead pencil as one of those who received a copy of the letter. Now, I did not receive a copy of that letter. I have been trying for months to get the Federal Trade Commission to exhibit to me this piece of evidence. It is highly interesting, because there are conclusions put in the Federal Trade Commission's summary to the effect that our company, the Cudahy Co., agreed to join the four other large companies in the opposition made to that resolution. Further on in his testimony Mr. Lasater states that this report of the three Swift people was adopted by the five packers. I do not know, but assume—

The CHAIRMAN (interposing). What question do you want Mr. Lasater to answer?

Mr. CREIGH. What I would like to do would be to have Mr. Lasater, as no doubt he will, bring back here the record from which the quotation into this hearing was copied. Then I would like to have an opportunity to see that record and see what it is.

The CHAIRMAN. Mr. Lasater, you are at liberty to present that.

Mr. LASATER. I only read a part of the letter referred to, but I submitted the exhibits and I suppose they were copied in.

Mr. CREIGH. As I understand, the record you have is the Federal Trade Commission's transcript?

Mr. LASATER. Yes, sir.

Mr. CREIGH. You were using the Fed. — the Commission's papers?

Mr. LASATER. No, sir; it is

a hearing.

Mr. CREIGH. But the paper is in the possession of the Federal Trade Commission and not in your possession?

Mr. LASATER. There is only one copied in by the Federal Trade Commission and the others were presented by myself.

Mr. CREIGH. The paper I want is in the record at page 1804.

Mr. SAUNDERS. The page speaks for itself. Mr. Creigh says he did not get a copy of the letter and the Federal Trade Commission says he did. That settles that point.

Mr. LASATER. Here is the volume, and reading from page 1904, which purports to be a hearing held in Washington, January 25, 1918, I will say that this was furnished to me by the official stenographers of the Federal Trade Commission. I had this copy made and paid for it. You may see this, Mr. Creigh.

The CHAIRMAN. That was all you had to go by?

Mr. LASATER. Yes, sir.

The CHAIRMAN. You did not have the original?

Mr. LASATER. No, sir; that is all I have.

Mr. CREIGH. It is very obvious, as I examine this record, that this transcript of the original record refers to some other document which is of an original nature and which I have never been able to get access to. Of course, Mr. Lasater's quotation and the copy made of the paper are identical with the one here.

I would like now to ask the committee is there any way by which this committee could secure access to the original from which this copy is made.

The CHAIRMAN. I think there is. Naturally, I suppose, although I have not consulted the committee about it, and have not taken any action in regard thereto myself, but the committee would at least want to ask Mr. Colver some questions in the way of rebuttal or explanations, and, of course, Mr. Colver, or whoever had charge of that hearing, can be called before the committee and will be heard.

Mr. HAMILTON. I would like to make a motion. I move that the Chair be requested to ask the Federal Trade Commission for the original of which this paper referred to is a copy.

Mr. SANDERS. I second the motion.

Mr. SWEET. I call for the question.

The CHAIRMAN. Well, it doesn't require a motion. We have a letter from Mr. Colver stating that certain papers had been turned over to the Department of Justice, but I take it we can get it.

Mr. SANDERS. I call for the question.

(The question was put to the committee and unanimously adopted.)

Mr. CREIGH. If I might just have a moment more—I do not know what your practice is here, and I understand this is cross-examination of Mr. Lasater, but I am sure he is interested in getting at the facts, the same as I am.

On page 3516 of the transcript of his testimony, given on Monday with reference to this same letter, which is a long report by the Swift employees, he says:

They were all employees of Swift & Co., but finally in consultations you will find that the entire five big packers adopted the report of this committee, and have made attempts and have carried out many of the recommendations made by the committee.

I would like to know if Mr. Lasater has any information in respect to my company—the Cudahy Packing Co.—having adopted

this report, as he says, other than the conclusion of the Federal Trade Commission, as appears in this summary.

The CHAIRMAN. You may answer that, Mr. Lasater.

Mr. LASATER. I have no direct information that would connect any employee of the Cudahy Packing Co. that I am acquainted with, with the carrying out of any of these plans. As I have read into the record, we do connect both Swift and Wilson employees with carrying out that plan, and also the Armour employees acting in concert with them. There is no question about that, but I can not refer to any act that I individually know of that would connect the Cudahy Packing Co. with the actions of Morris, Wilson, Armour, and Swift in the matter.

Mr. CREIGH. Gentlemen of the committee, I was sure that Mr. Lasater would be frank about the matter. I have already testified that the Cudahy Packing Co. was not connected with this report and did not act in cooperation with the others charged in the statement of the Federal Trade Commission, in its summary, and that that statement is entirely incorrect. I have been trying for some six months to get some information that would tend to justify the charges of the Federal Trade Commission without success.

The CHAIRMAN. Mr. Rayburn may now cross-examine Mr. Lasater.

Mr. RAYBURN. Mr. Lasater, you charge conspiracy among the Federal Food Administration, the Department of Agriculture, and the packers?

Mr. LASATER. No; I did not connect the Food Administration and the Department of Agriculture in the same act.

Mr. RAYBURN. You charged conspiracy between the Food Administration and the packers?

Mr. LASATER. Yes, sir.

Mr. RAYBURN. For what purpose do you think that conspiracy was formed?

Mr. LASATER. In other words, Mr. Hoover wanted to get the supplies furnished the allies at the least possible cost. He concluded that if he could control the packers, the organized interests of the country, he could disregard the producers of the country, who were unorganized. So he attempted to tie every exploiting interest to the Food Administration, and did so.

Mr. RAYBURN. Your idea is that there was a conspiracy formed between Mr. Hoover or the Food Administration and the packers to beat down the price the packers would get.

Mr. LASATER. Yes. The packers were not affected in any way, as far as their returns were concerned. They were perfectly willing to——

Mr. RAYBURN (interposing). There must be more than one party to a conspiracy.

Mr. LASATER. The packers were perfectly willing to assist the Food Administration, provided their interests were protected, and they were protected. If you will go into the matter, it will be thoroughly demonstrated.

Mr. RAYBURN. You say there was a conspiracy, and it had the effect of beating down the price to the producer?

Mr. LASATER. It did.

Mr. RAYBURN. And you charged a conspiracy between the Department of Agriculture and the packers, didn't you?

Mr. LASATER. No; I charged this: You found every packer here in his testimony was attempting to discredit the Federal Trade Commission and to laud the Department of Agriculture. I made the statement and charged, and attempted to show it, that the packers were perfectly familiar with the Trade Commission situation and knew that the Department of Agriculture was the responsible party for making these live-stock cost studies, and not the Federal Trade Commission; and when they attempted to show this committee that the Federal Trade Commission had only done a part of its duties and let the live-stock interests go scot free, they attempted to have this committee draw a conclusion that the facts do not justify. Then I showed the part the Department of Agriculture played in the matter as well as I could. I think the action of the Department of Agriculture was a very great benefit to the packing industry.

Mr. RAYBURN. And therefore against the producers.

Mr. LASATER. Yes, sir.

Mr. RAYBURN. Do you think simply because the packers referred to the Department of Agriculture and complimented the Department of Agriculture that that would tend to discredit the Department of Agriculture? On the other hand, don't you think that it is probable the packers and other great institutions of the country have confidence in the Department of Agriculture, in its efficiency and its desire to arrive at the truth of matters?

Mr. LASATER. Well, if you care to go into that, I will file here testimony showing that the Department of Agriculture, when it comes to handling the interests of the people, does not consider the interests of the whole people paramount to those of the exploiters of the people, the exploiting interests, we will say, the milling interests, the packing interests, and the compound-feed manufacturers; that the Department of Agriculture has not been a protector of the interests of the people. That fact can be shown.

Mr. RAYBURN. You charge, then, that instead of the Department of Agriculture being of equal benefit to all the people; or, in other words, protecting or trying to serve the producers as well as others, that it serves the others to the disregard of the producers.

Mr. LASATER. To the disregard of the producer and the consumer.

Mr. RAYBURN. You were in favor of the passage of the Federal food-control act, were you not?

Mr. LASATER. I was.

Mr. RAYBURN. I think you were here at that time, when the question was under consideration.

Mr. LASATER. Yes, sir; I was here at the time and in favor of the passage of it. I thought as a war measure it looked to me unavoidable. I was in favor of it.

Mr. RAYBURN. But it has not worked out like you hoped, as a practical proposition?

Mr. LASATER. No; not like I had hoped.

Mr. RAYBURN. The Railroad Administration has not worked out practically like you had hoped, has it?

Mr. LASATER. It looked like, in the situation the railroads were in at the time they were taken over by the Government, you could not have expected more than we have gotten out of the Railroad Administration.

Mr. RAYBURN. You are in favor of this bill prepared by the Federal Trade Commission as sent here and introduced by Judge Sims in December, 1918, are you?

Mr. LASATER. I am not for that bill just as it stands; no, sir. I would change some of its features, but I am in favor of carrying out the recommendations of the Federal Trade Commission by some legislation that will make them effective.

Mr. RAYBURN. What are they?

Mr. LASATER. First, that the Government, as it has the railroads now in charge, will acquire the stock cars and run them, as you might say, as a Government monopoly. Secondly, that it will acquire control of the stockyards.

Mr. RAYBURN. Under the Railroad Administration?

Mr. LASATER. Yes, sir.

Mr. RAYBURN. By virtue of its having the railroads?

Mr. LASATER. Yes, sir; by the Railroad Administration.

Mr. RAYBURN. Go ahead.

Mr. LASATER. Third, acquire and operate the refrigerator cars of the country.

Mr. RAYBURN. As a part of the Railroad Administration?

Mr. LASATER. As a part of the railroad system.

Mr. RAYBURN. All right.

Mr. LASATER. Fourth, supply sufficient distribution terminals in all our consuming centers for all perishable products.

Mr. RAYBURN. I might as well be candid about this bill. I think the proposition of acquiring these different things as a part of the Railroad Administration is all camouflage. I think the recommendation of the Federal Trade Commission was for the Government to own the railroads and own these things. But the Government has never acquired the railroads.

Mr. LASATER. That is true; but it is operating them.

Mr. RAYBURN. It has acquired control, and that is all.

Mr. LASATER. Yes, sir.

Mr. RAYBURN. This bill starts out, and the first thing that it says is:

That the President of the United States is authorized to acquire from time to time refrigerator cars.

You think that an essential part of the railroad business?

Mr. LASATER. I do.

Mr. RAYBURN. He is also authorized to acquire, under your interpretation of this bill, for the railroads, all of the stockyards. You think that a proper function for the railroads, either under Government control or private control, to handle the stockyards, do you?

Mr. LASATER. I think it would be the best agency to handle them; yes, sir.

Mr. RAYBURN. All right. Now, he is also authorized to acquire exchange buildings, rendering plants, serum plants, market-news services, etc. Do you think that a proper function of a railroad company?

Mr. LASATER. They go with the stockyards as they are now conducted.

Mr. RAYBURN. Do you think that a proper function for a railroad—to render lard, etc.?

Mr. LASATER. As we have always understood transportation, that is not a part of transportation; but, as all these industries are concentrated at these market centers, I do not know of any other agency at this time to give them to.

Mr. RAYBURN. The slaughterhouses are concentrated at this place also. Let us go on. I can not understand the word "acquire" as anything but to take possession and ownership. Let us proceed over here. And then he is allowed under this: "(d) To acquire for the United States, through such agency or agencies as he may designate, such real estate as he may deem necessary or appropriate for the location thereon of packing houses," etc.

Mr. LASATER. May I express an idea on that Mr. Rayburn?

Mr. RAYBURN. Yes.

Mr. LASATER. My idea would be that that is put in there for this reason, because at some of our central markets there are not sites for additional packing-house facilities, and that would be in order where there was a demand for additional packing-house facilities to supply the needs.

Mr. RAYBURN. For the Government to go in and operate the packing houses, build on this leased or purchased land that it is thought to be authorized under this act?

Mr. LASATER. No; I do not think so; but to lease the site to somebody that would build upon it and operate the needed packing house.

Mr. RAYBURN. The Government would be authorized, section 2 goes on to state—

Mr. HAMILTON (interposing). I am very much interested in his answer. I did not quite catch it.

Mr. LASATER. The explanation I made was this, that that provision was there so that at market centers where there were not sites available for additional packing facilities, that the Government would be authorized to acquire these sites and lease them to whoever might desire to build and operate packing plants upon them.

Mr. RAYBURN. That is an opinion of yours, whether or not they would lease them. They are given authority to buy this land and build a packing house on it and of operating it by the Government. The act does not say what the intention is—does not say what they can do under it.

Mr. LASATER. None of use can do other than express an opinion. We do not know exactly what any man might do under those conditions, but he would have the power to do it.

Mr. RAYBURN. That is exactly the trouble. You say this does not mean Government ownership, but that it means operation under the Government. Listen to this language in section 2 of this bill:

That for the more effectual carrying out of the purposes of this act the operation in interstate commerce of all refrigerator cars and especially equipped cars for the transportation of live stock, meats, and other products derived in whole or in part from live stock or the slaughtering of live stock is hereby declared to be exclusively a function of the United States.

Mr. LASATER. I think the transportation of all foodstuffs should be done on equal terms for every citizen of the United States, and I do not think you can command that unless it is made a governmental monopoly.

Mr. RAYBURN. Then you think that that means Government ownership of these things and Government operation. The reason why I

am asking you these questions is that somebody in our hearing the other day claimed that this bill did not mean ownership, that it simply meant that whoever controlled the transportation facilities of the country should control these things. And if we are to argue that the railroads are going to be compelled, after they are turned back, to own the stockyards and own the refrigerator cars—and you admit that that is a proper function—is it a proper function of the transportation company to own the rendering plant and a serum plant, or a thing like that? You think, then, on the general plan that this means Government ownership of these institutions, do you? Do you believe that that was the intention of the Federal Trade Commission in their recommendation when they drafted this bill, that the Government should own the allied industries of the packing houses?

Mr. LASATER. I think the Federal Trade Commission found themselves in this position at this time, that the transportation systems of the country are now controlled and operated by the Government, and they anticipated that these functions, the most of them at least, that would naturally inure to the transportation companies would be handled by the Government until Congress saw fit to decide upon some permanent policy as far as the transportation companies of the country are concerned.

Mr. RAYBURN. But when we passed the railroad-control act we said the President would be required to take over and operate; we did not say he should acquire the railroad companies.

Are you in favor of the Government fixing the price to the producer of live stock?

Mr. LASATER. Not if it can be avoided, I am not. But, if my price is going to be fixed by an irresponsible agency, naturally I would prefer to create an agency by the National Government that we could look at and criticize. I know to-day that my prices are fixed by an irresponsible agency, and we are objecting to that, and we think it is the duty of this Congress to cure that situation.

Mr. RAYBURN. Is there anything in this bill that would cure that situation?

Mr. LASATER. We think as time goes on it would, because I think if this bill is put into operation it would not change it over night, but I think in 5 or 10 years you would have a complete new system of marketing the live stock of the country.

Mr. RAYBURN. I know that you are a producer and a good business man. Do you not think that if the Government, where such a small percentage of the people are producers of live stock, and where 100,000,000 people are eaters of the products of live stock, that an agency created by that Government had to do with the buying of the live stock from the producers, that in a very few months you would be more discouraged and more discontented with the operation of that kind of an agency than you have ever been with the Food Administration?

Mr. LASATER. Mr. Rayburn, I would say this: If I was forced to conclude that, I would be a most miserable man and have no hope in our institutions for the future.

Mr. RAYBURN. You would not?

Mr. LASATER. I would have no hope. I realize we have got to have some radical changes, and this Nation will not persist unless we do bring them about. I realize that the average man has got to be

treated fairly. Neither our laws nor our business usages are made in this country for the average man. If you will compare our condition with that of France or with that of Germany, if you like, you will find that that assertion is a fact borne out by the experience of nations. It has meant nothing to me that that happens to be the fact, for the simple reason that I chanced to be put in a class where I got command of credit that the average man could not command, and that has given me opportunities that the average man could not have. And so I am not here because fortune has been unkind to me. That is not what brought me here, Mr. Rayburn.

Mr. RAYBURN. I understand that entirely. I think this bill is written along the lines of your general and political trading; that is the truth, is it not? I think that you in war and in peace times advocate some of these very progressive measures.

Mr. LASATER. I think, sir, that the Government has got to do things that we never thought inured to government a generation ago if we are to maintain our Government, and I do want to see it maintained.

The CHAIRMAN. You are in favor of letting the weak man have a chance with all the rest.

Mr. LASATER. I think, sir, we have to give him a chance.

As I have stated, the legislation now being considered will not cure all our economic ills, but it will assist in remedying them. To make the United States of America a country that will develop the highest type of humanity instead of permitting the greatest piling up of individual wealth, we must bring about two fundamental changes in our economic structure:

First. Transportation must be opened to every shipper, be he large or small, with equality of cost and service. Transportation charges should be based upon cost of service, not upon arbitrary rates favoring the great centers of capital and industry.

Second. Interest rates should be uniform, and no discrimination should be tolerated or possible against those that produce the food supply and raw materials for our Nation.

Make effective these two fundamental changes in our economic structure and you do away with the two great menaces of democratic government, centralization of our people into great industrial centers, and the curse of our farms being worked by renters instead of by owners.

The necessary ideals of a citizenship that will restore and maintain a democratic government can not be developed in the pigeon cotes of our industrial centers with city streets as playgrounds, nor upon the rented farm. These two basic economic truths have been proved by democratic France and autocratic Germany. The love of the French peasant for his home upon his own farm was the force that held Germany in her mad rush for world dominion until world democracy could arm and come to the rescue of France. The same principles applied to her producing classes made Germany little less than invincible.

Eighty-six per cent of Germany's farms are worked by their owners. Her agricultural credits are the lowest in the world, being about 50 per cent of what is charged in the United States of America. Germany's farm producers pay 4 per cent or less for credit; our

farmers average more than 8 per cent. . This high interest charge, coupled with the excessive toll and waste of the exploiting interests, operating between the farmer and the consumer of the farmer's products, explain the tendency of the farms to pass from the ownership of those who till them. By increasing the burden of the interest charged from 4 to 8 per cent, the cost of production of the raw materials that enter into our clothing and food supplies is increased more than \$600,000,000. While making the world safe for democracy we do not want to strengthen the breastworks of monopoly and special privilege in our own country.

Mr. BARKLEY. Do you mean to say that you think the Food Administration intentionally, for the purpose of injuring the producers, formed this alleged conspiracy with the packers that you spoke of a moment ago?

Mr. LASATER. I think this—I do not think you were here, Mr. Barkley, when I introduced in testimony yesterday—

Mr. BARKLEY (interposing). I was not.

Mr. LASATER. That showed that Mr. Hoover, when he assumed his duties as Food Administrator, handed out to the country statistics of live stock that were not true did it knowingly, and he could have been actuated by no other motive than to persuade the live-stock producer that he was in a very strong economic position, stronger than the facts justified.

If you will start with that and then following along Mr. Hoover's various actions, you can not avoid the conclusion that Mr. Hoover did use the packers and exporting interests to put a burden upon the producers of the country.

Mr. BARKLEY. In the shape of reduced price for their products?

Mr. LASATER. In the shape of reduced price for his product.

Mr. BARKLEY. Is it your contention that that reduction in price, if it was a reduction, was or was not reflected in the price of the finished product not necessarily to our consumers, but to the world consumers who were depending upon us for a market?

Mr. LASATER. I think it was probably reflected more to the allied world than to our world.

I want to make this statement, if you gentlemen care to go into it: I made a study of the compound-feed situation. All of you gentlemen, I think, are in close enough touch with production to realize that for the four years of the war the dairy interests have been badly situated; their profits have been hardly anything, and many times they have suffered loss. Take the Quaker Oats Co. They showed profits in 1916 and 1917 of 52 and a fraction per cent on both common and preferred stock. Go back five years and their profits, as my recollection is, were around 8 per cent. The Quaker Oats Co. was not an exception to what this class of business made during those two years of the war. The Food Administration saw that going on and knew the situation, as far as the dairy farmer was concerned. Mr. Chapman, who was the head of the feed department of the Quaker Oats Co., was made the head of the feed division in the Food Administration. I cite that company on account of that position having been given to Mr. Chapman.

Mr. BARKLEY. In other words, do you think, then, that either the Food Administration should not have fixed the price for live stock or that it should have been fixed higher?

Mr. LASATER. Yes. For instance, the Food Administration has always contended that it did not fix a price or agree to a price on anything except hogs.

Mr. BARKLEY. Take the hogs at \$17.50 a hundred. I presume you speak more from the standpoint of cattleman than from the standpoint of a hog man?

Mr. LASATER. I am more interested in cattle than in hogs.

Mr. BARKLEY. Let us take hogs. They fixed a minimum price of \$17.50 for hogs. You think that was too high or too low?

Mr. LASATER. It was not, but the Food Administration stated to the country that it would pay for the crop of hogs when they were produced. Whether it was high or low, I would say, would cut no ice on that proposition, but the Food Administration appointed a committee to ascertain the cost of production, and the report of that committee is now in evidence, and I ask you to read it.

The Food Administration supposedly adopted the report of that committee to this extent, they recommended a ratio of price based on 14.3 bushels of corn, we will say, for 100 pounds of hog. The Food Administration stated to the country that they would attempt to protect a price of 13 bushels of corn for a 100 pounds of hog. If you will go into the matter you will find that the price of $17\frac{1}{2}$ minimum does not carry out that suggestion. They went part of the way in following the recommendations of this hog committee, at the same time they continued to advocate and show the needs of the 15 per cent increase over the preceding year that would be needed for ourselves and our allies. The country has responded, and we have about that increase from 8 to 15 per cent which is estimated now.

Mr. BARKLEY. Under the guaranty of the stabilized price the stock of hogs in the country has increased.

Mr. LASATER. Yes. We have the largest crop of hogs ever marketed; there is no question about that.

Mr. BARKLEY. That was one of the products the Food Administration assisted to encourage?

Mr. LASATER. There is no question but that they did that; yes.

Mr. BARKLEY. And their activities in that line were successful?

Mr. LASATER. It was a success, but the point I make is this: That after making this statement of guaranty to the country, they did not carry that out. But when the hogs were made and commenced to run, then they say: "Agreeing that this plan is impracticable, we will put a minimum price of $17\frac{1}{2}$." If you will go into the figures of their guaranty, you will find it would have meant $18\frac{1}{2}$ to 19 cents.

Mr. BARKLEY. Do you not mean to say that the holding down of the price of hogs to $17\frac{1}{2}$, if they held it down to that, was not reflected in the corresponding price of the hog meat?

Mr. LASATER. I am not posted as to what is being done the last several months, but I will state this: In the fall of 1917, the Food Administration had authorized a minimum price of $15\frac{1}{2}$, and it ran $15\frac{1}{2}$ to 16, that the packers were paying for hogs. Henry Wallace, of Wallace's Farmer, is one of the best authorities on market condition that I know of, and I regard him as strictly honest and honorable. Mr. Wallace stated in many editorials in his paper during that time—and I talked to him personally—that there was no question but what the packer was selling his product on the basis of 20-cent hogs at that time.

I read into the record here yesterday communications between packers, in which they admitted to be making the biggest profits on record from the slaughter of hogs and over the longest period of time. So I think that would go to confirm Mr. Wallace's statement.

Mr. BARKLEY. I do not know whether you are qualified to speak on this, but if the Food Administration, as you say, has entered into a conspiracy with the packers to injure the producer of cattle, than they would be susceptible of doing the same with reference to all other producers. Do you know enough about the wheat situation to know whether they entered into a conspiracy about the price of wheat intended to injure the producer of wheat?

Mr. LASATER. I will only say this, on wheat, personally, I am not well posted. Before the Agricultural Committee of the Senate last spring—probably early in March—and this testimony was introduced before that committee—a statement from Mr. Hoover, prior to the food-control act being passed, stated that under no conditions would he, if the Food Administration was created and he was authorized to act, make any attempt to control the price of wheat that year. That was 1917. Within three weeks, I think it was, after Mr. Hoover qualified as Food Administrator and had the price fixed. Wheat was selling the country over—in the markets of the country, we will say—a little under \$3—something like \$2.75 or \$2.80 a bushel, and my recollection is it was put at \$2.20. I do not think that that was acting fair to the country.

Mr. BARKLEY. I do not recall what he said. I do not recall whether he made that as a promise to induce Congress to pass the bill or whether it was simply expressing his intentions, which he might have changed when he got the responsibility of office.

Mr. LASATER. When it was put out it indicated that he was lobbying for the passage of the bill.

Mr. BARKLEY. Do you know whether the price of flour to the consumer was somewhat reduced below what it was then selling at?

Mr. LASATER. That might have been; I am not sure. But I think this is an unquestioned fact, that the flour mills of the country made the biggest profits the first year of the Food Administration's license they ever made.

Mr. HAMILTON. Will you ask the witness whether, as a matter of fact, the price of flour has been reduced?

Mr. LASATER. I am not qualified as an expert along those lines.

Mr. BARKLEY. I am interested to know if the Food Administration has intentionally conspired with the packers for the deliberate purpose, and for no other purpose, than injuring the producers, and whether they have carried that conspiracy out into all branches of foodstuffs over which they had control. I will not go into that further.

Mr. STEPHENS. Right in that connection, I think it ought not to be lost sight of, and I do not think anybody blames the Food Administration for fixing the price of wheat at the price it is. I think that the wheat growers generally appreciate that to-day.

Mr. BARKLEY. I do not want to yield to a controversy among the members of the committee about the price of wheat.

Mr. HAMILTON. I want to suggest this to you, Mr. Barkley: I do not know the truth about it, but I suspect that the milling interests

of the country have been making considerable profits out of the fixing of the price of the wheat to the farmers. I wish we might get authentic information on that.

Mr. BARKLEY. I do not know about that. I do not know whether Mr. Lasater can give that information or not. I want to ask this question: The price of wheat that was fixed at \$2.26, I believe, has been continued for the present year?

Mr. LASATER. I do not think that was the price. Was it not \$2.20?

Mr. BARKLEY. That was the original price?

Mr. LASATER. That was the original price.

Mr. BARKLEY. But it has been raised to \$2.26, I think. If that price is maintained for the present year, notwithstanding the fact that the war is over, and that it is represented that without this guarantee of the price of wheat it would have to go down to \$1.50 or some other similar price. I have seen where somebody advocates that the Government pay \$2.26 and sell it at \$1.25.

If the Food Administration, in order to carry out this guaranty to the farmers, is proposing to apply that guaranty to the coming crop, and the Government is going to be asked to appropriate \$1,250,000,000 to make up its loss, in view to fixing this guaranteed price, do you think that is any indication that the Food Administration has conspired against the producer of wheat?

Mr. LASATER. I would not think that. Will you permit me to express an opinion? Of course, this is only an opinion, and I do not claim it to be anything else. My opinion may not be better than yours or better than any others. But it looks to me like the country is very much exercised over a situation that may never exist. As yet we have not got that big surplus, and I feel like that is one thing that we have to tie to in the future, the possibility at least of enough wheat to go around.

I would like to make this statement, and that it will not take many months to either prove me a discredited prophet or that I know something about what I am saying: I believe that within four months you will realize that the cattle interests of the country have been materially affected by the receipts you have been getting in the market centers for the past two years. I believe that within 60 days the hog run will be over, and to some extent you will realize the attitude of producers of pork of the country.

Mr. STEPHENS. You mean that they will be discouraged?

Mr. LASATER. I mean they will be discouraged and that lessened marketing will inevitably follow. The only way there is any possibility of maintaining the runs of cattle for the coming year that we have had for the past two years is for continued discouragement to follow and the marketing of breeding stock. You can not get the finished beef. It is not here and the country is not making it.

Mr. BARKLEY. You mean there has been no increased production of beef during the last two or three years?

Mr. LASATER. The Department of Agriculture has stated that there has been 257,000 head increase in beef cattle.

Mr. BARKLEY. What percentage?

Mr. LASATER. I think that figures a little less than 1 per cent.

Mr. BARKLEY. I want to get back and ask you a few questions about the bill.

If this bill should pass and the Government should acquire all these various facilities of rendering plants and the stockyards and these refrigerator cars, stockyards, and various things, under the assumption or by reason of the fact that the Government now has control of the railroads, and that the railroads are turned back to private ownership, what is your suggestion as to what would come of all this property that the Government has acquired and which you say was acquired because the Government had the railroads under control?

Mr. LASATER. I would think, sir—you are bringing up a great deal of matter that I am not qualified to speak on—Congress would have to determine that when it turns the property back to private operation.

Mr. BARKLEY. Suppose the railroads should decide they did not want these things. Do you suppose Congress could compel them to buy them?

Mr. LASATER. I would take it for granted that Congress can tell the transportation companies of the country whatever it decides will inure to the public welfare, and if Congress decides that it would inure to the public welfare for these utilities to be operated by the railroads, it can be made a part of the transportation system of the country. That looks to me to be the practical thing.

Mr. BARKLEY. I was wondering whether the Congress would have any authority to compel the railroads to buy a lot of property belonging to packers and other interests throughout the country that the railroads might not want to hold.

Mr. LASATER. I do not know whether I am qualified to speak on that.

Mr. ESCH. Right in that connection I would say that 14,000 cars that have been delivered up to January 1, out of the 100,000 that were ordered by Mr. McAdoo, some of the railroads refused and bitterly protested against receiving these cars, and some locomotives, even under Federal control.

Mr. BARKLEY. But, if it should develop that the railroads would not take them and Congress did not pass any law compelling them to take them; or, if it should develop legally that Congress could not compel them to buy them, then it is your position that the Government would go on and own these things and operate them just as they are now operated when the railroads are under Government control?

Mr. LASATER. You want to hear what I honestly think—you are just asking for my opinion?

Mr. BARKLEY. Just for your opinion.

Mr. LASATER. All right, sir. This is what I think: If the railroads should take that position, then it would be another reason for the people insisting on the Government taking control of the railroads permanently, and that would be done.

Mr. HAMILTON. Mr. Lasater, I only want to ask you a few questions. The ground has been covered very fully. Now, here is a question prompted by the statement that you made about the Quaker Oats Co., and it illustrates a condition. I think you said the Quaker Oats Co. made a profit of 52 per cent. Do you know of any reason why the average farmer who wants to eat oats ought not under ordi-

nary conditions, normal conditions, to be permitted the privilege of having his own oats ground for his own food, and not be compelled to pay this exorbitant price to the middle man?

Mr. LASATER. I would make this explanation, Mr. Hamilton: The Quaker Oats business is not altogether making oat meal. A big part of the profits come to them from their manufacture of what they call compound feed, in which cottonseed meal and oats and a great many things enter.

Mr. HAMILTON. Yes; but it illustrates a condition that the whole country has gotten into of having a control of food centralized in a few hands. It is illustrated in wheat and flour, the product of wheat, and bran a by-product of wheat. I do not know whether the Government can inaugurate a system by which we can be brought back to normal conditions, but it does seem to me that there ought to be some way of getting back to the conditions where a man can have what he needs without paying exorbitant prices to some middle institution. The Quaker Oats suggestion inspired this inquiry.

Mr. LASATER. I am trying to tell you that some of the evils that this compound feed situation has brought about largely comes from the activities of the American Feed Manufacturers' Association. There is no possible chance to have cheaper production of dairy foods. They practically control the dairy feed supply of the country. Let me give one incident, only:

Prior to the building up of these mixed-feed concerns the dairymen in the East—in New York and Massachusetts—bought largely of cottonseed meal as a protein feed. They would buy it in carload lots and the commission was \$1 per ton. That would be on a 25-ton car \$25 that they would pay for buying the stuff. My understanding is that the profits allowed now by the Food Administration on the cottonseed meal that entered into those compound feeds—and I will say that it has been practically impossible for the farmer to buy direct; he could not get his orders filled—they allowed, I think it was, 12 per cent—I am quoting from memory, gentlemen, and I might be a shade or two off—on the original cost at the mill; that is, on the \$60 basis it would be per ton \$7.20. Then from the South and Central West, where most of these mills are situated, that would be \$5 more for freight, and that would be a total of \$12 and something. They allow manufacturing cost, we will say, of \$4, which would make about \$16. Then your freights ordinarily are just as much from the West, where most of the feed mills are, as it would be from the South, in the first instance, to the East. So, when the dairymen bought prior to the creation of these conditions for \$1 a ton, he is paying about \$16, and it has been practically impossible to command protein feed shipped direct. We had numbers of dairymen testify, and that is practically the universal statement.

Mr. HAMILTON. In a word, where do you locate the responsibility for that?

Mr. LASATER. Well, sir, there seems to be a very close cooperation between all of these concentrated industries, and it is difficult for the outsider or for the producer to buy unless he goes and procures the finished product that has gone all the way round the circle.

Mr. HAMILTON. Then the average man is controlled by forces about which he knows nothing.

Mr. LASATER. That he can not successfully contend against.

Mr. HAMILTON. That he can not reach, and he is simply obliged to pay the price and go on paying toll to these forces.

Speaking of prices of meat animals, if I caught your statement correctly, you said if prices are to continue to be fixed by an irresponsible agency—meaning the packers—then the Government ought to do it. Is that right?

Mr. LASATER. You are right; yes, sir.

Mr. HAMILTON. That raises this inquiry in my mind, in view of your assertion of probable collusion between the Food Administration and the packers and between the Agricultural Department and the packers: Does that raise in your mind some doubt of the probable efficiency of any sort of governmental agency? Do you know what I mean? Here is a man elevated to temporary power under an administration who is running a bureau down here, and he is given tremendous authority. He may have had little, if any, preliminary experience to qualify him, and he is given authority to undertake to run a huge business for which he has no qualifications. What do you say about that? We are fellow citizens and we are both of us patriots, and so far as we can we want to do what is for the best interests of our Government and for the average man, because this is a Government of the average man.

Mr. LASATER. I think that if an American citizen in good standing had then been able to come to his Congressman and stated his position on conditions as they existed before the Food Administration, and that Congressmen had then had the right to call Mr. Hoover before Congress to make his explanation, and a vote of lack of confidence have required the President to have made a new Food Administrator, I think it would correct that evil and would guard against future evils.

Mr. HAMILTON. Mr. Lasater, let us consider conditions as they actually existed; we were in war—we had not entered the war suddenly. We were some time in making up our minds whether we would enter the war, but we got into it. I think we ought to have gotten into it sooner. Now, it was necessary to erect some central power having supervision in this instance.

Mr. LASATER. I believed in that. I believed in the concentration of power. I was in favor of the Food Administration, and, after my experience, I would still be in favor of it.

Mr. HAMILTON. Then, you are also aware that any man who questioned out loud the operation of the Food Administration in any detail would be liable to be criticized and considered unpatriotic. He was expected to accept, and practically everybody did accept, every detail as being a just detail. You see the difficulty about inaugurating a congressional investigation as to the operation of instrumentalities. Do you not see that?

Mr. LASATER. I think self-government will always remain difficult. I think we will always have difficulties.

Mr. HAMILTON. It is particularly difficult at this time?

Mr. LASATER. I understand that, and I think, sir, if this war had lasted, as it looked like it might last, for several years, then the only possible chance of winning success would have been to have had the show-down and had it during the first years of the Food Administration's life.

Mr. HAMILTON. Do you want to have your private affairs run by a bureau in Washington?

Mr. LASATER. Not if I can help it. Nobody wants that. But if it ever comes to a point where we have either got to let our private affairs be run in Washington or from some private office in Chicago, I am going to take Washington.

Mr. HAMILTON. Legislators are supposed to be here to counteract the operations of some of these irresponsible people who exercise a control like the forces of nature over you, me, and the rest of the population.

I want to ask you if you heard the testimony of Mr. Morris, of Morris & Co., in relation to feeding cattle at Peoria?

Mr. LASATER. Yes, sir; I heard it.

Mr. HAMILTON. Did you hear him say about the profits he made?

Mr. LASATER. Yes, sir; I did.

Mr. HAMILTON. What did you think about it?

Mr. LASATER. I think Mr. Stephens asked Mr. Morris to insert the dates that those cattle were marketed. I think I heard those questions. If those dates are in there, I could give you an opinion of it. If you recall, from November, 1917, until April, 1916, we had a market that lost the feeder very, very heavily. After the shearing finished that I have alluded to several times before the Committee on Agriculture of the Senate, then the Food Administration and the packers took the lid off and pushed the price of finished stuff up and began to hammer the price of lower grades instead. If Mr. Morris marketed his cattle from May onto the end of the season, then there was a fine chance for a margin, the biggest margin I have ever known in my experience; but he could not have made that margin from November to March, for it was not there.

Mr. HAMILTON. Just a word or two more.

Mr. LASATER. If I may make one more statement. Mr. Morris, Mr. Swift and Mr. Armour and Mr. Wilson knew exactly the conditions of the live-stock interests when they testified here, because they are the bankers of the live-stock producers. So, any misstatement of a fact that they made was not made from lack of knowledge. And every fact that you have got or can gather shows that for the past 20 years the production of live stock has been most precarious, and that there has been more money lost than made in it.

Mr. HAMILTON. That is my observation, in a small way. I want to call your attention to a statement made by Mr. Armour [reading]:

The earnings on our turnover reached not to exceed 3 per cent annually, and the packer's profit on a pound of meat averages only a fraction of a penny.

That is a broad statement. What do you think about that?

Mr. LASATER. I do not believe it. I would like to state this: I have heard that, many, many times. The next to the last conference that we had with Mr. Armour, in a reply to a statement made by Mr. Armour, I stated to him that "if you gentlemen state the truth in these financial statements that you hand out through the country, showing the profits you make, you have nothing to dread from an investigation, because we concede that you are entitled to earn that

much. So why should you fight an investigation that will show the true facts of your business"?

Mr. HAMILTON. I want to ask you about this: Packer after packer has been here and reiterated practically that statement. Here is a statement by Morris [reading]:

I want to say to you, positively and unqualifiedly, that the profits of Morris & Co. for the past five years have averaged about 1.5 per cent on the turnover: that the profit of Morris & Co. for the last five years, including cattle, sheep, and hogs, has been 77 cents per head; and that the profit of Morris & Co. per pound of meat, for the last five years has been a fraction under a third of 1 cent.

Do you believe that they are covering up the truth?

Mr. LASSILER. I could not say. I am not accountant enough to tell how it would be possible. But, let me make this statement: Yesterday I submitted certain account sales of Mr. Landergin. You see, these cattle were marketed over a period of about two weeks. I showed by those account sales that Mr. Landergin on the few sales that he made to an independent buyer showed that the independent man got a \$17 profit over and above what Mr. Armour wanted to buy and did buy one shipment of Landergin's cattle at.

It is just instances of that kind that convince us about it. I am not here, and no other man can come here and tell you how the packers do this; but instances are occurring constantly which we are able to check up and know they are not giving us the facts.

Mr. HAMILTON. That is a single instance of abuse, but this is a steady grist coming to a power that stands between the producer and consumer.

Assuming now that there are unfair dealings such as you have described, there must be something concealed on a somewhat colossal scale?

Mr. LASATER. You can not draw any other conclusion. There is not any other conclusion that can be drawn.

Mr. HAMILTON. And I say that you do draw that conclusion, and I have wondered that a man who has studied all these details as you have—and I have respect for your research—is not able to lay his finger on the spot for our information. If you can even inferentially touch the point, you will be doing a public service.

Mr. LASATER. I think, sir, there is not any question but what this is one of the facts: On a great many of these products the packers put fiat prices when they are transferred around from one department to another in the course of their business. While Mr. Swift stated here, and so did Mr. Armour, that all of these profits come back into Swift & Co., I do not believe it, and I do not find any live-stock man who is conversant with the situation that does believe it. There was, for instance, developed before the Agricultural Committee the other day when one of Swift's men testified that Libby, McNeil & Libby, which is subsidiary of Swift, made on a certain kind of cow a profit of \$6 per head, after paying Swift for slaughtering the cattle; that is, \$6 per head on canning stuff and 79 cents per head on finished cattle looks like a very wide difference. I showed here yesterday by introducing correspondence of Swift & Co. between the two brothers that there was a margin of \$1.94, I think it figures, between slaughtering cattle at St. Paul and then shipping the live cattle and slaughter-

ing them in Chicago when you hung the meat in the coolers in Chicago.

When you realize all these things and this waste that is taking place over a continent you begin to sense the economies that can be made by change of the present system and realize how big our country is.

Mr. HAMILTON. I doubt if anybody does.

Mr. LASATER. The packers might be even stating facts. But granting the result is, we will say, only 2 per cent on their turnover—concede that as a result they have never had a setback, their growth has been constant for years. Take the panic of 1893, when a good many of us got cleaned out; it did not seem to affect the packers. They have gone to South America and practically taken possession of the meat-packing industry in that country. Therefore apparently they have the capital for any enterprise they see fit to touch. How could that have been brought about on any profit of 79 cents per head on cattle? It would have been a matter of impossibility; it could not have been done.

Mr. HAMILTON. Mr. Lasater, just one question. I had a letter yesterday, I think it was, from a gentleman in Wyoming, a ranchman, I judge, by referring to branding—I ought to have brought the letter with me. But as I remember he suggested a registration of brands and prices, so that the cattle grower or feeder might be able by having a brand registered and a registration of prices to follow the prices received and the profits made. Do you get what I am trying to get at?

Mr. LASATER. Yes.

Mr. HAMILTON. As a practical man, I want your judgment on that.

Mr. LASATER. I do not think he meant a brand, sir, on any particular rancher's product, but he meant a grade according to the line of questions Mr. Stephens asked yesterday. I think it is practical. Of course every one of the packers and all of the commission men said you could not grade cattle. I maintain there is never a sale made in the market that two minds do not grade the bunch of cattle that they are dealing on. How could they handle them unless their minds met as to grade and value. Our commission friends and packer friends have convinced a great many of the producers by asserting it can not be done. I know that it can be done.

Mr. HAMILTON. I presume I got this gentleman's suggestion wrong, but I got the impression that he meant that if, for illustration, he brought in, we will say, a bunch of cattle and you had those cattle branded, that if there was some system of registration of brands you might follow your cattle even to the carcass and know the profits that were made and whether you and other raisers were receiving fair prices for what you raised. I do not know whether that is practical or not.

Mr. LASATER. The packer claims he knows now what each carcass return is; that they follow each carcass to its destination and back.

Mr. HAMILTON. This man claims that he wants some system by which he can check the packers and ascertain whether the packer's statement is accurate.

Mr. LASATER. That is one of the reasons, sir, that we think that statistics could be greatly improved, and that is one of the facts that

we think ought to be given to the public—what a certain grade of cattle sells for in Chicago and what that same meat brings in Boston.

Mr. HAMILTON. But if you leave it simply on the question of grade, are you not liable to be confused; have you not got to have some indentifying mark?

Mr. LASATER. No, sir. When that hide is taken off, your brand would not be there then. Every ranchman knows more or less. Say he is handling a beef breed—Herefords, Durhams, or Polled Angus, which are well-known types, and he knows the class of cattle he is handling, and he knows that a Hereford steer will dress, say, 56 per cent, and he ought to know what that animal will bring on the Chicago market. They knew, then, about the amount of beef a steer will make, and they know it is a bulk done up in the neatest possible package, and so it looks to me like it is not only possible to grade cattle but to grade meats, in spite of what Mr. Packer says.

Mr. HAMILTON. I am going to try to get that letter and read it to you, if I have time.

Mr. SANDERS. I want to know, if you know, and if you are willing to state, what Mr. Hoover's original attitude toward the predatory interests, such as the packers, millers, refiners, etc., was.

Mr. LASATER. I am perfectly willing to state what I know. I think it was probably the second conference I had with Mr. Hoover, after I had accepted the position of live-stock adviser with him, that he made about this statement: That he would not invite one of the large packers to a seat at his council table; that the packers had a reputation not only nationally but internationally, that "smelled to heaven"—that expression sticks in my mind.

Now, within three weeks from that time, you practically find the packers, through their sympathizers—I will name them: Mr. Harry A. Wheeler, of Chicago, and later Mr. Cotton, of New York, handling the meat end of the Food Administration. So that is quite a sudden change of front. One statement was made before the Food Administration was created, before the bill passed; and the other situation arose within two weeks after its passage.

Mr. SANDERS. Then, in three weeks' time the aroma of the packer that smelled to heaven had changed.

Mr. LASATER. It had absolutely changed, and he was handling the affairs of the Food Administration.

I will go further. You will find that this live-stock committee, created by the Department of Agriculture and Mr. Hoover, was composed of many of the leading producers of the country, and I will state here, and an examination of the records will verify it, that as these various gentlemen who have appeared before Mr. Hoover proved that they could not be used, and they were discarded.

Mr. SANDERS. Do you know what was the attitude of Mr. Hoover in regard to the other features I have mentioned—millers and sugar refiners—as to whether they were put in the charge of those interests or not?

Mr. LASATER. I could not say specifically, sir, only that as I understood a miller was in charge—I have forgotten his name—of the milling interests; and the same all the way down the line.

Mr. SANDERS. And the compound feed man was put in charge of the compound feeds?

Mr. LASATER. Mr. Chapman, of the Quaker Oats Co., was in charge of the feed division of the Food Administration, so all along the line.

Mr. SANDERS. Where do the producers come in in the Food Administration?

Mr. LASATER. They did not come in at all.

Mr. SANDERS. Where do the consumers come in?

Mr. HAMILTON. They did not come in.

Mr. SANDERS. I am asking him. I have found where the predatory interests come in, but I have not found out where the producers come in. Did they have any representation?

Mr. LASATER. I found a great many patriotic people in the Food Administration, but I did not find any of them in dominant positions.

Mr. SANDERS. I am talking about directors—chiefs of divisions.

Mr. LASATER. I only come in contact with and heard of those that were allied with the interests that seemed to be able to take care of themselves pretty well and were taken care of during the operations of the Food Administration.

Mr. SANDERS. Who was the head of the fixing of the prices of compound meat in the Food Administration?

Mr. LASATER. They were quite a while in creating that division; but this man Chapman, I understand——

Mr. SANDERS (interposing). Who was Chapman?

Mr. LASATER. Chapman was head of the feed department of the Quaker Oats Co. and also president of the American Feed Manufacturers' Association, and had been for years.

Mr. SANDERS. Did the consumers have anyone at the head of these divisions?

Mr. LASATER. Not that I know of, sir.

Mr. SANDERS. You were head of the live-stock division?

Mr. LASATER. That is, I was given that title to start with, sir; and I will state that at first telegrams relating to live-stock and meat products came to my office from all over the world. After this change I have spoken of, which occurred early in August, Mr. Requa made a second trip to Chicago. I went with him, and after we returned then the attitude changed. There were no more of these telegrams ever came to my office. I was absolutely cut out from that information. I never saw a telegram on meat prices or live-stock prices after that.

Mr. SANDERS. Then I understand that you never saw a telegram on the live-stock situation in the world after the packers had come in. Is that the idea?

Mr. LASATER. I make that statement; that is a fact; yes, sir.

Mr. DECKER. Is it not fair to presume that if Mr. Hoover did his duty that he represented the consumers?

Mr. LASATER. I think, sir, that if Mr. Hoover did his duty he represented the whole people.

Mr. DECKER. When you use the words "consumers of meat" that refers to the whole people, does it not, except the vegetarians?

Mr. LASATER. Yes. But let me relate an incident that will explain what I mean. On the 20th of October I was in consultation with Mr. Hoover. I knew that he had at that time a report of a commission that he himself had appointed to ascertain the costs of milk

production. I was trying to persuade Mr. Hoover to make public that report. Mr. Hoover refused to make public the report, and the reason he gave me was that that report justified the prices that were being asked by the milk producers.

Mr. DECKER. And he did not want them so high——

Mr. LASATER. Wait a moment. And he said that the minds of the consumers were not in a position to accept it, and so he refused to make public that report. I tried to argue with Mr. Hoover that it was his duty to make public that report.

Mr. DECKER. Who was the report from?

Mr. LASATER. It was from a certain committee that he appointed to ascertain the cost of milk production. I took the position that the average American is honest and that he would not expect and did not want anybody to supply his milk at a loss, and that if he was assured that these prices were fair and that the milk producers were not profiteering that they would acquiesce in paying a reasonable price.

Mr. DECKER. In that case he was giving the consumers an advantage, was he not?

Mr. LASATER. Absolutely. He was giving them a temporary advantage, but I think that same thing has led to much the consumer will later pay for, and I think instead of being an advantage permanently it will ultimately be a great disadvantage to the country.

Mr. DECKER. That was at least one instance in which Mr. Hoover was looking out for the consumer.

Mr. LASATER. Certainly; to that extent.

Mr. DECKER. To that extent.

Mr. LASATER. From my standpoint it was mistaken judgment.

Mr. DECKER. You understand that anything that is not right economically in the end will not be good for anybody. But it shows he was not trying to give the consumers the worst of it at that time.

Mr. LASATER. It shows this, Mr. Decker: That Mr. Hoover wanted to give to the consumers, the big bunch, glad tidings, and he did not have them to bring, so preferred saying nothing.

Mr. DECKER. Like most public men, he tries to please as many people as he can.

Mr. LASATER. That was a misfortune.

Mr. DECKER. And Mr. Hoover had to represent the men who raised the cattle and the men who manufactured cattle into food commodities, and then he had to represent the people who consumed that commodity and paid for it, did he not?

Mr. LASATER. Yes; those were his functions; yes, sir.

Mr. DECKER. And when you speak of having the consumers represented on a board like that you admit it would be impossible to have them numerically represented into their members, would you not; and is not that one of the reasons why philosophers and statesmen try to rely on the law of supply and demand to adjust prices instead of letting any one man fix them, as in the past?

Mr. LASATER. There is no question but what this fixing of prices, sir, is a most difficult proposition. I think it is practically impossible.

Let me mention one thing, Mr. Decker: When our Government and the allies took charge of the shipping of the world and were in a position to say what could be shipped and where it was going, then

the law of supply and demand was suspended. This price-fixing power had to be placed somewhere. I preferred that you create a commission and fix the responsibility. That is why I preferred the creation of the Food Administration rather than have several agencies not appearing in the open exercising this power.

Mr. DECKER. In other words, the law of supply and demand was interrupted and one of the evils of the war.

Mr. LASATER. Absolutely.

Mr. DECKER. And to avoid that and get through the war you advocated at that time, and Congress decided, to pass the food bill that would put the power into the hands of one man a right to fix prices?

Mr. LASATER. Yes, sir.

Mr. DECKER. You say you would rather have had a board; that would have been a question of four or five men fixing it?

Mr. LASATER. I beg your pardon. I would rather have had it in one man's power at that time.

Mr. DECKER. It is immaterial. Let us not waste much time on that. If you had had more men they might have made more mistakes.

Mr. LASATER. They might have made mistakes.

Mr. DECKER. It had to be concentrated, in your judgment and in the judgment of Congress?

Mr. LASATER. Yes, sir.

Mr. DECKER. You suggested one thing there, that if Mr. Hoover had had to come to Congress and report to them as to his conduct that that would have decentralized the Food Administration at once?

Mr. LASATER. Wait, Mr. Decker. I will tell you why I do not think so. In the first place, I take it for granted that we have the Congress patriotic, bent on winning this war, and desiring to treat no man unfairly.

I think before I should have ever got a hearing even from my Congressman I would have had to make a case that was good, and that my Congressman, before he could have gotten the consent of Congress to have considered it, he would have had to convince others that the case was good. That being the case, I do not think it would. It would only have been when there was a real wrong to have been righted that there would have been any possibility of having this investigation. Otherwise it would never have been brought about.

Mr. DECKER. Well, I do not know as we serve any good purpose in following that up. But, for a man of your experience, that seems like an unusual statement.

Those people that you have mentioned here, Mr. Lasater, that Mr. Hoover would have had to report to Congress or would have been directly responsible to Congress—of course, he is responsible to Congress in the last analysis, and always has been. We always have had the right to cut off his appropriations or to repeal the law that created his office. We have always had that power; but how long do you suppose it would have taken you to have gotten that investigation on this very evil you have mentioned. I just wondered what you thought about it.

Mr. LASATER. I do not think I would ever have gotten an investigation unless I had made a first-class case.

Mr. DECKER. This case you have made here—how long would it have taken you to have gotten Hoover investigated under it?

Mr. LASATER. In my judgment it would not have taken long, because at that time they could have brought other people and have had them state certain direct things, and I think I could have gotten a conclusion immediately.

Mr. DECKER. Do you think that if you had access to the press and given your statements publicity you could have remedied it?

Mr. LASATER. That was an impossibility under the conditions we have. We know we could not get access to the press.

Mr. DECKER. Your honest opinion is that the producers have not got a just price for their live stock during the war?

Mr. LASATER. There is no question about that, Mr. Decker, when you go into it. I do not mean to say that there has not been high spots. There have been. That has been testified to, but on the average there has been no money made since the European war has been declared, and the facts justify that statement.

Mr. DECKER. And the packers claim they have only made all the way from 79 cents to \$1 a critter on what they have slaughtered?

Mr. LASATER. Yes; they claim that. But, also, you will find—

Mr. DECKER. I just want to get at that.

Mr. LASATER. Yes.

Mr. DECKER. And the consumers claimed that they have had to pay too much for what they eat. Now, then, if you were a Congressman sitting on this committee, where would you go in any of these reports or records of hearing to make up your mind that either one of those classes had absolutely sustained their case?

Mr. LASATER. It is just a question of judgment, sir. You have the evidence before you.

Mr. DECKER. Well, what evidence?

Mr. LASATER. Well, the statements of the packers.

Mr. DECKER. Who has contradicted the statements of the packers as to their profits? Besides this, I am not underestimating what you have said.

Mr. LASATER. I will state this: Even Mr. Hoover has spoken showing how Swift's profits have been diminished by food control. Mr. Glasgow has announced, and the packers very, very widely, that these reports that have been handed out have been audited by the Federal Trade Commission; the truthfulness has been O. K.'d by the Federal Trade Commission.

Mr. DECKER. Does the Federal Trade Commission deny that they have made an audit?

Mr. LASATER. They absolutely do deny it.

Mr. DECKER. What do they estimate it at?

Mr. LASATER. They do not estimate it, because they say it is an impossible thing to arrive at under present conditions. But what Mr. Glasgow handed out and what the packers have made public is simply the report as turned in to the Federal Trade Commission, the unaudited reports of the packers.

Mr. DECKER. If you contested that the packers were telling the truth about the amount of their profits, you would not think they were getting much too much, would you?

Mr. LASATER. Well, I would not think so. I still might criticize the system. I think it is the most expensive system for the country as a whole, and not an economic system.

Mr. DECKER. It does not follow that because they are not making too much that that is the best way to handle it?

Mr. LASATER. That does not necessarily follow.

Mr. DECKER. Because a man might do a business and might not make any money, and still it would be hard on the public to have him in that business. As far as their profits are concerned, if their statements are correct, they are not too much?

Mr. LASATER. We have always taken that position—that they had nothing to dread from investigation if their statements were correct.

Mr. DECKER. You are one of the men that claim their system of slaughtering is not efficient, the saving of the “squeal,” and all those things?

Mr. LASATER. Their system of concentration of live stock in certain centers is not economic. It has great waste in the shrink and the bruises and death of live stock; that is a most inefficient and uneconomic method, entailing far greater losses than anything that can be made from saving the “squeal.”

Mr. DECKER. Then, the consumers claim that they are paying too much for their commodities. There has been nobody testified in regard to that, has there, at this hearing?

Mr. LASATER. No, sir.

Mr. DECKER. But if you were going to change the system of one of the greatest industries on earth, and you were representing 100,000,000 people, would you not want a more thorough investigation of this particular feature before you did it? You have heard most of this testimony here?

Mr. LASATER. I think, Mr. Decker, if you go into the reports of the Federal Trade Commission, of the evidence they have given, thoroughly, and correlate that with other facts that you gentlemen have got here, I believe you can get at the bottom of the situation.

Mr. DECKER. You think there has been enough investigation?

Mr. LASATER. I think there has been enough, and I really feel like the country is now expecting action, and I really think we need action on this situation.

Mr. DECKER. Well, I agree with you that the country is expecting action. I agree with you that the consumers are demanding cheaper prices and that the producers are demanding higher prices, and there is no way known among them to please them both, and we have got to decide between them. Somebody has got to be disappointed, and I am trying to get at whether the evidence has been given here, in your judgment, to justify action of such kind.

Mr. LASATER. I think it would, Mr. Decker. I think it is humanly possibly to correct a wrong that has been 40 years being built up. You can obtain that through revolution, but revolution is not desirable that changes conditions overnight. But what I do think is that you can pass laws here that permit producers to plan for the future, and I think we can eliminate a great many wastes now taking place, and I think we can work to a point where we can feed the consuming public at less cost although with more net profit to us, and the net is what we are working for. The high prices mean nothing. It is what is left in your hands after your costs are all paid that decides whether your product is profitable or not.

Mr. DECKER. Well, how can Congress pass on this bill before they know what is going to be done with the railroads, for instance? How

can they make an intelligent decision on this matter before the railroad matter has been decided?

Mr. LASATER. My idea is, sir, that Congress will decide what will be done with the railroads, and certainly this bill should be passed as proposed; and I am no constitutional lawyer, but there must be some way that Congress could have the railroads carry out its instructions if it concludes it would be for the interests of the whole people for the railroads to do so.

I am not going to concede that we can afford to allow the transportation system or any other system to be greater than the Government.

Mr. DECKER. In other words, you would not be willing to turn the railroads back to them until some regulations or restrictions are put upon them relative to the refrigerator cars and stockyards and things pertaining to the packing business?

Mr. LASATER. If Congress decides that the railroads are going to be turned back to private ownership, then they ought to decide what is going to be done with these other instruments before they turn them back.

The CHAIRMAN. In connection with this legislation?

Mr. LASATER. Yes, sir; as a part of the same legislation.

Mr. DECKER. In other words, this bill is really a transportation bill?

Mr. LASATER. Yes; it deals with transportation.

Mr. DECKER. I think most of your testimony has borne on the evils of the Food Administration. Of course this bill will not touch that one way or the other.

Mr. LASATER. That was not my intent, Mr. Decker. I think discussion of the Food Administration was justified only to show how it was affected by the packer monopoly.

Mr. DECKER. The thing could not have happened with the Food Administration unless there had been a packer monopoly?

Mr. LASATER. It could not; no, sir.

Mr. DECKER. The ownership of the stockyards even by railroad companies or by the Government could not have affected anything that the Food Administration did wrong relative to the packers, could it—that did not enter into the subject?

Mr. LASATER. Except the Food Administration, as you may understand, I think, licensed the commission men and to a certain extent had some control over the marketing situation. But that, of course, would have only affected the situation to a limited degree.

Mr. DECKER. To a very infinitesimal degree?

Mr. LASATER. Yes, sir.

Mr. DECKER. And the Government owning the rendering plants or the refrigerator cars would not have prevented this so-called combination between the Food Administration and the packers, would it?

Mr. LASATER. Let me state this, Mr. Decker: I do not think that overnight or, we will say, within a year that the change in ownership of the refrigerator cars, stockyards, and terminal facilities in consuming centers could make any material difference. That is only desirable because it is going to give the producers of the country a chance to improve the market situation. They can not do that until they have time to work up to that and utilize these advantages to the full capacity; but I think that these changes are desirable and in time

would so change market conditions as to benefit both producer and consumer.

Mr. DECKER. Then, "to get down to brass tacks," these things mentioned in this bill will only have a tendency to better conditions. You do not in your heart feel that they will touch the spot, do you?

Mr. LASATER. I do not think you could pass anything, without simply tearing things asunder in every way, that will be effective right now. But I think this will curb the evil and will enable us to gradually work a cure. I think that is much more desirable than any revolution that could be brought about.

Mr. DECKER. Have you lost all faith, yourself, in the grand jury system?

Mr. LASATER. I think, sir, it is a difficult way to cure economic evils. So far, certainly, we have not been able to control monopolists by indictments.

Mr. DECKER. You do not think that the packers are doing better than they intended to do when those big packers some few years ago just openly started out to get together and make one big trust?

Mr. LASATER. No; I can not conclude that. If you will recall our experience in 1911, it was a most disastrous one. I do not think during the time they were sitting in the Veeder pool that they ever handed out to the country as raw a deal as that. Those were the heaviest losses I experienced, and, I think, generally speaking, that was the experience of the whole country.

Mr. DECKER. You think they are in a hide-bound organization, as though they would have been under that Veeder pool?

Mr. LASATER. I think they are just as effective an organization. Practically, you have only four men, including Cudahy—Wilson has been for a long time with Morris, 28 years, I believe he testified; then you have the Morris family, the Swift family, and Armour family. Wilson has been so closely identified with Morris that you might consider him of that group, and, I think, he is yet trustee of the Morris estate.

Mr. DECKER. No; he has resigned from that.

Mr. LASATER. I knew he had been up until quite recently, and was advised the relation terminated at the time of the organization of Wilson & Co.

Mr. DECKER. What do you think of the Government taking over the packing houses themselves?

Mr. LASATER. I am not in favor of that at this time. I think we have done a great deal that is uneconomic in the way these packing plants have been located. I do not see why the packers should be allowed to saddle that on the people as a whole. I think that if these recommendations of the Federal Trade Commission were made effective that in the course of time the water would be squeezed out.

[Hearings before the Committee on Agriculture and Forestry, United States Senate, Mar. 19, 20, 21, 22, and 30, 1918.]

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., March 19, 1918.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Thompson, Page, Gronna, Norris, and Wadsworth, jr.

The CHAIRMAN. Mr. Reid has a letter that he has asked to put in the record.

STATEMENT OF MR. HANK REID—Resumed.

Mr. REID. Several days ago, when I first testified, I spoke of retail butchers being controlled in such a manner by the packers that in some instances they were afraid to buy farmers' products direct; and in support of that I have a letter from Mr. W. T. Creasy, the head of the National Dairy Union and the master of the Pennsylvania Grange, which I would like to put into the record. Mr. Creasy was the candidate for lieutenant governor of Pennsylvania on the Democratic ticket. I mention this merely to show that the testimony has no trace of any partisan coloring, which I have endeavored throughout to steer clear of.

I will read that at this time, if you wish. It is a short letter, and covers the point thoroughly.

The CHAIRMAN. Yes; you may read it, if you desire.

Mr. REID (reading):

"Officers: N. P. Hull, president; H. J. Credicott, vice president; S. B. Shilling, treasurer; Wm. T. Creasy, secretary.

"Directors: N. P. Hull, Dimondale, Mich.; H. J. Credicott, Freeport, Ill.; H. S. Johnson, Chicago, Ill., 1526 State Street; J. R. Morley, Owatonna, Minn.; S. B. Shilling, Chicago, Ill., 136 West Lake Street."

[Washington Office 36 and 37 Bliss Building.]

THE NATIONAL DAIRY UNION,
AN ORGANIZATION OF THE ALLIED DAIRY INTERESTS,
OFFICE OF THE SECRETARY,
Catawissa, Pa., March 11, 1918.

Mr. HANK REID,

Publisher the Shepherds Journal, Washington, D. C.

DEAR SIR: In reply to your inquiry relating to my experience in the sheep business, will say that for a number of years up to 1913 I kept sheep on my farm. I live within 30 miles of the populous anthracite coal fields of Pennsylvania. Yet I could find no market for my fat ewes, and in order to dispose of the sheep I had to load them on board of cars and ship them to Buffalo. And, at the same time, lots of mutton is used in these sections.

Small abattoirs have disappeared one after another, until hogs are the only meat animals that are slaughtered in the few remaining ones. The individual butcher of years ago is not much in evidence. He is supplanted by the meat dealer, who buys from the big packing houses; in fact, individual butchers who determined to do their own slaughtering were put out of business. In some instances goat's meat was sold for lamb and mutton. There was also more or less manipulation in the wool market. Another factor that hurt the sheep and cattle business was the propaganda started some years ago by the Beef Trust through the newspapers that frozen meat was much better than home-dressed meat. At any rate Pennsylvania, perhaps, played a part, but I know that we went out of the sheep business because we could not sell them.

Respectfully, yours,

(Signed) WM. T. CREASY.

Senator PAGE. Mr. Chairman, I want to give the devil his due. The phrase "put out of business" there would seem to charge indirectly that the large beef abattoirs were viciously driving the small butcher out of business. I am a dealer in hides. I have been affected as adversely from the conditions that exist to-day as any man, I presume, because where I used to buy hides from a thousand and one butchers around the country my purchases have from that source practically become a negligible quantity. I do not personally regard that as a result of any vicious acts on the part of the abattoirs or the big packers. The facts are that the cattle buyer in my section buys his cattle, sends them down to the abattoir at Brighton or Watertown, in Massachusetts. There they cure the beef, and send it back in such a condition that it is more palatable; and it seems to me that perfectly legitimate causes have driven the small butcher out of business in our country towns, causes that he can not overcome, causes that are so natural that I look to see the local butcher eliminated more and more. And yet, bad as I have been hit by the condition, I should hesitate very much to say that there has been any wrong done by the men who slaughter these cattle at Boston, Brighton, or Watertown and send the meat back to us. The meat from there is worth as much more as it costs to freight it back and forth.

I think I would like to put that in the record in connection with this letter submitted by Mr. Reid.

The CHAIRMAN. I think, if they can judge the future by the past, the tendency will go on for the big ones to at least occupy the fields formerly occupied by the little ones.

Senator PAGE. That can not be helped. It is natural; it is legitimate. We have all got to yield to economic conditions; and those economic conditions, in my judgment, will continue to have their effect upon the small butcher until he is nearly or quite eliminated.

The CHAIRMAN. I assume, at least, as long as the big fish continue to swallow up the little fish. It may be economical for them. I do not know whether Mr. Creasy intended to indicate that the big packers strangled the small butcher or destroyed the receiver of the air pump and let them be smothered.

Senator PAGE. The words "put out" here would seem to carry with them the suggestion that the big packers were trying to wipe out and kill the small butcher. I think he is being killed by economic conditions.

The CHAIRMAN. That may be true.

The committee will now hear Mr. Cotton. Mr. Cotton, please state your full name, your post-office address, and occupation.

**STATEMENT OF HON. JOSEPH P. COTTON, CHIEF MEAT DIVISION,
UNITED STATES FOOD ADMINISTRATION, 405 PARK AVENUE,
NEW YORK CITY.**

Mr. COTTON. My name is Joseph P. Cotton; my post-office address is 405 Park Avenue, New York City; my trade is a lawyer.

The CHAIRMAN. What is your present official connection, if any, Mr. Cotton, and what have you been doing during the war?

Mr. COTTON. I am now an assistant to Mr. Hoover, and particularly in charge of the meat and provision buying; I think they call it the head of the meat division.

The CHAIRMAN. You were connected with the Shipping Board previously?

Mr. COTTON. For a long time I have been connected with some Government department. I was one of the counsel for the Shipping Board from almost the beginning of the war until some time in July; I do not recall the exact date. I have been for several years the consulting counsel of the Federal Reserve Board. I have also represented the Government in Alaskan matters. The only one of those positions which has been continuous has been with the Federal Reserve Board.

The CHAIRMAN. Mr. Cotton, the committee is looking into the food situation in general and the wheat and the meat situation in particular. We desire you, I assume as head of the meat division of the Food Administration, to outline, if you will, the history of your administration and what course you may have adopted in regard to production or conservation or exportation of meat and meat products.

Mr. COTTON. I took over the work in October. I had studied it sometime before I took it over officially. The first work was getting up a scheme of export buying which would work practically to get the meats ready for export and to the seaboard for export. In order to do that, we pooled the allied buying. Prior to that time, each of the allied nations had been buying on its own account. The result of that buying by each nation had not been satisfactory; not only had there been a lack of pulling together, but each nation had been trying to get what they particularly wanted, and, as usually happened, they were trying to get it at the same time. So that matters were rather at sixes and sevens. We pooled that buying, and then I made this arrangement that the allied nations would give their requirements in advance, as far as they could, and I would give those orders out to the packing houses as far in advance as I reasonably could.

In order to find out the method of distribution—which was roughly this—I got from the allied buyers a list of the Federal inspected packing houses, which they approved as satisfactory.

The CHAIRMAN. How many of those were there, do you remember?

Mr. COTTON. About 42. Altogether, not so many for beef. I standardized all of the specifications, so that instead of each man coming in for a new specification for each month, he always ordered from a standardized list of specifications. We also standardized the method of packing and the method of marking. When I say "I" did those things, I do not mean I did them personally. But

they were done under the meat division and in cooperation with the allied buyers.

And then an order would come along, and I would allot it—I have since taken charge—among the packing houses. I practically allot that business on a system that I found had been used by the various packing houses prior to that time in the export business, and gave them during that period substantially the proportions they had before. I did that particularly for two reasons: In the first place, I could not be given that business by favor; I had to have some system, and it seemed to me that system was a wise one, because there were a number of packers, of which Morrill is the type, who have always been in the export business and are large exporters, having well-known good will on the other side and no domestic trade. If I took them out of the export business and forced them into the domestic business, they would have had to make new trade connections. So practically I have built that system up, allowing those who had the export business to continue with it.

The CHAIRMAN. You let the business pursue its normal course.

Mr. COTTON. As near as I could. In the hog-product business the large packers had a substantial share, but not as large as their share of the general business. In the beef business the large packers are the real people to look to, because no one else really is in shape to handle it—I do not say absolutely no one else, but the bulk of the beef business is done by the large packing houses. When I say "large" ones I mean the ones who are known as the five big concerns.

Senator PAGE. Has the extent of your business with these packers been so large that you have become an important factor in fixing the price of beef products?

Mr. COTTON. If you will permit me, I would rather not answer that categorically. But I will be entirely clear about it—yes and no—I mean I am coming to it.

Senator PAGE. Oh, yes.

Mr. COTTON. First, that system was built. And then I got up a system for regulating the packers' profits. So far as I know that is the first system of regulating the packers' profits. I do not claim perfection for it, because I know it is a long way from perfection. It has not had enough time to work out to know thoroughly how it will work, but it was a planned system, and should have the result of limiting the packers to the prewar normal profit, and, in the case of the big packers, about cutting their earnings in half; that is, speculative earnings of the prior year. My term begins November 1, 1917, for the regulation of the packers' profits.

During the preceding year the packers had made very large profits. It does not have any particular value, I suppose, applying adjectives to those profits. In a way, they were speculative profits; that is, they had bought the hog at the beginning of the year and held it, and by the time they sold it the hog products had gone up in value. That is rather strikingly shown if you take the inventory of one of the packers for, say, November 1, 1916, and then take his inventory a year later, and you will find the difference of value in the inventories, of the constant inventory, is greater than the packers' earnings; that is, they had made a large part of their profits by the increase in value of the inventory, while they held it during the year.

The CHAIRMAN. Does that consist largely of what they had in cold storage?

Mr. COTTON. The largest element of that would be the hogs and the products which they held in storage in manufactures. It would not be the beef.

Anyway, I put in that system of regulation. In regard to the small packers, the profit limitation was practically this: The packers, I said, "are under this limitation: They must not make a net profit, before deducting taxes, of over 2½ per cent on their turnover"; that is, their net profit is limited by 2½ cents on the dollar of business done. That was the first general limitation, which applies to all packers. That is a fairly simple, fairly easily checked method of regulation. It does not absolute justice, but it is somewhere near it.

Senator PAGE. Did you take the inventory, for instance, on the 1st day of January and add 2½ per cent to that inventory price, or did you go back and take the benefit of the economic advances? The general advance has been made because of the advance in the price of corn, in the feeding that you gave to the hogs, in the advance which the farmers got; in other words, did you deprive them of that natural and legitimate, as it seems to me, profit, or did you say, "Here, you take an inventory January 1, and from that inventory you may have a profit of 2½ per cent"?

Mr. COTTON. Practically the latter, but not quite. This is the difference: I said, "Start November 1. Now, on every sale you make compute your total sales from now on, right through this coming year, and come out with a net profit of not more than 2½ per cent on your total sales."

Senator PAGE. For the entire year?

Mr. COTTON. For the entire year, beginning November 1, 1917.

Senator PAGE. You took an inventory, as shown by their books, November 1, 1917?

Mr. COTTON. Yes. I had to draw a line somewhere, and I drew it on that date.

That, however, was not an effective method of regulating the large packers. But to the big packers we said something else. I said also, "You are under that 2½ per cent limitation; also, you are under the further limitation that, as to your meat business, you shall not make over 9 per cent on your invested capital, including your borrowed money." That is not the only limitation. The big packer is subject to the same limitation as the small one, and also to this; so if the 9 per cent is lower than the 2½, that is the limiting factor; if the 2½ per cent is the lower, that is the limiting factor. As a matter of fact, the 9 per cent is lower by quite a bit. It will bring the big packer's earnings on his meat business down to somewhere around 2 or 1.9 on his turnover.

Senator PAGE. And from that is deducted the war-profit tax?

Mr. COTTON. No. They have to pay their own war-profits tax.

Senator PAGE. I say, from that level of profit they pay their war-profits tax?

Mr. COTTON. Yes.

Senator PAGE. Now, in that case, are their profits so large that the war-profits tax takes half of it or 40 per cent of it?

Mr. COTTON. No. The war-profits tax, you see, will be fixed on a similar basis of investment, and they will not have so big war-profits taxes. There will not be enough to pay it. The war-profits tax is a tax the rate of which goes up very much as your ratio to investment increases.

Senator PAGE. You made the remark that you allowed them to add to their capital borrowed money?

Mr. COTTON. It is 9 per cent on their actual capital invested, wherever they got it, whether it came stock, their borrowings, or somewhere else.

And, in regard to the specialty departments, the by-products departments, so-called, where the turnover is much less rapid, of course, I really did not have anything to do with that. But I had to put some top limit on it, because the most perplexing thing in the big packers' business is their transfers from their meat business to the by-products business. For instance, the typical case is that of hides, where they kill a steer and then carry their hide at a certain value from their meat department to their hide department. Obviously the meat business should be credited with the value of the hide. But, owing to their position in the hide market, owing to the fact that they are so large a factor on the hide market, if you will just let them transfer it at a value more or less placed by themselves your check of the meat business is not much good.

Senator PAGE. You are probably aware, Mr. Cotton, that the larger packers—Swifts and Armour—are not only large sellers of hides, but they are among the largest tanners in the country?

Mr. COTTON. I have never failed to be surprised when I found those fellows cropping up in business after business.

So, in regard to that specialty business, I also put a top on it of 15 per cent on the investment, that being as near as I could come to a rigid rule that indicated prewar profits, which is the President's instructions.

Senator NORRIS. The hides and the other by-products were transferred from one department to another at a value fixed by them?

Mr. COTTON. The rules call for them to transfer at market value.

Senator NORRIS. Oh, yes.

Mr. COTTON. But, as a matter of fact, Senator, that is not as helpful a guide as might be.

Senator NORRIS. I should think that rule would give them an opportunity at a fictitious value so as to get 15 per cent rather than the 9 per cent profit.

Mr. COTTON. Yes; but recall this: There is some market on hides, not a very good one, but some, and you have really got to start somewhere.

Senator NORRIS. I realize that.

Mr. COTTON. It is sort of perplexing. What I thought was, to make them transfer at the market price, to put a limit on their meat at about their prewar profit, and then catch it at the other end by putting a limit on the

specialty business somewhere near prewar normal. I thought I was doing what I could, at least, for a starter.

Senator NORRIS. The hide, of course, did not constitute the entire by-product. There are a good many other things.

Mr. COTTON. It does not constitute the entire by-product by a good deal, although the by-product is not the major part of the business in matter of value.

Senator NORRIS. Could you give us an idea as to the relative value of the by-products?

Mr. COTTON. Roughly, the meat value of the steer would be about two-thirds of the total business.

Senator NORRIS. I want to ask you about the 9 per cent profit. That was a 9 per cent profit on all their capital whether it was represented by stocks or bonds or borrowed money?

Mr. COTTON. I do not care where it comes from.

The CHAIRMAN. Would that include bonds?

Mr. COTTON. It would be 9 per cent on whatever money they had without regard to who owned it or where it came from.

Senator NORRIS. Did you investigate to find out what rate of interest they paid on their bonds and on their borrowed capital as distinguished from their capital?

Mr. COTTON. Yes; that is, I know it in a general way.

Senator NORRIS. Was that more or less than 9 per cent?

Mr. COTTON. Oh, less.

Senator NORRIS. A great deal less?

Mr. COTTON. The packers in years hitherto have been about the largest borrowers and have got about the best banking rate of anybody in the United States.

Senator NORRIS. About what rate?

Mr. COTTON. It depends entirely on years. They are paying now in the neighborhood of 6 per cent. That is very much higher than they paid heretofore.

Senator NORRIS. Your system would result, if they had a large amount of money that was invested that was represented by bonds or other borrowed capital, in giving them a much larger per cent on their capital stock?

Mr. COTTON. Oh, yes; you mean if they borrowed more and paid less it would increase the profit? Yes.

Senator NORRIS. I mean that the rate you would allow them by that system on their capital stock would exceed 9 per cent.

Mr. COTTON. Oh, my, yes; surely.

Senator NORRIS. Because you allowed them 9 per cent on borrowed money that they got for 6 per cent, which would give them 3 per cent profit on all borrowed money.

Mr. COTTON. There is no question about that; you are right.

Senator NORRIS. Do you know what dividends it resulted in giving them on their stocks?

Mr. COTTON. Nobody knows. We are now beginning the year; they are this year under profit regulation, and nobody can tell yet.

Senator NORRIS. Can you tell what proportion of the money was borrowed and what was the capital stock proper?

Mr. COTTON. Yes; I can. If you do not mind, I would rather give that to you privately.

Senator NORRIS. Yes; if there is any reason.

Mr. COTTON. Yes; there is a reason. I would rather give it to you in private.

The CHAIRMAN. Is it not shown in Bradstreet and Dun?

Mr. COTTON. It may be; I do not know.

Senator PAGE. Answering, in part, Senator Norris, the Armour 4½ per cent bonds have been selling at around 94 for a long time prior to the war. They have receded now, in the last year, to 84.

Mr. COTTON. That is still pretty high.

Senator PAGE. It is on about a 6 per cent basis.

Mr. COTTON. Their borrowings to-day are not far from a 6 per cent basis.

Senator NORRIS. It would be immaterial what the bonds are selling for on the market. The interest is fixed absolutely by the bond itself.

Mr. COTTON. I think, if what Senator Page says is indicative of their credit position, it would be about 6 per cent; but understand that that profit limitation makes concrete and definite their prewar normal, which is the instruction given, and that the—

The CHAIRMAN (interposing). Who gave that instruction?

Mr. COTTON. The President; that is a general instruction, not applied to this particular trade.

The CHAIRMAN. "Prewar," does that mean before the outbreak of the European war, or before our entry into the war?

Mr. COTTON. The outbreak of the war; not before our entering into it.

The CHAIRMAN. Mr. Cotton, if you find these stocks and bonds listed in Moody's Industrial Annual, for instance. I would be glad if you would put them in your statement. I imagine it would be exhibited, perhaps, in their own annual report.

Mr. COTTON. For any past period it would show easily.

The CHAIRMAN. I think I have it here in a magazine now.

Mr. COTTON. You would have it up until November, for any minute.

The CHAIRMAN. Would it be possible to put that in your statement?

Mr. COTTON. I could give you that probably now; they would be current rates; those statements would be varying half as much as their capital and surplus.

The CHAIRMAN. Of course, there would be no secret about the ratio of bonds to stocks outstanding?

Mr. COTTON. You can not make definite statements that cover every one; but, speaking generally, those concerns that are bonded, their bonds would be somewhere near half; their capital and surplus—the ratio would be somewhere near two to one. That is not a secret.

Senator PAGE. The bonds, Senator, do not cover all the debt by a great deal. Swift's a few years ago found the best banker they could get—I think he was a Kansas City man—and his business for years has been to float commercial paper with every bank in the country.

The CHAIRMAN. Little banks all over the country used to have Swift's paper—little bit of banks in the byways and hedges.

Mr. COTTON. Everywhere they sell products they have a bank account.

The CHAIRMAN. And that would all go into making up their capital, on which they are allowed 9 per cent?

Mr. COTTON. Just one thing on that before you pass from it. That 9 per cent, however, limits them, and also they are limited by the limit on their turnover. In making any profit limitation I was trying to give them a definite rule as to what they could earn. That regulation is not, as I said, a perfect one, but it is the first one that has been created, and it is the first time that I know of that anybody really ever took anything away from a packer. I admit I have not got it yet, but I have got a plan for it.

The main work of the meat division has always been to see that shipments of goods got to seaboard for allied export. That work has gone forward, I think, on the whole, successfully. The amount of goods—meat and pork—which have been shipped have been greater than in any other period I have known of; and, speaking generally, the goods have moved successfully from the packing house, have got boats, have been adequately shipped, and there has been practically no complaint from the other side as to the goods.

The CHAIRMAN. Do you happen to have the figures with you, Mr. Cotton? We had a witness the other day whose statement indicated that the shipments of beef had been increased, I think, some 10 or 12 per cent, but that pork had been materially reduced.

Mr. COTTON. No; that is substantially an error. The particular orders placed at this time are at the rate of 200,000,000 pounds a month, which is very much greater than any preceding rate.

The CHAIRMAN. I will try to have that statement found and call it to your attention. I think it run from the 1st of July.

Mr. COTTON. From the 1st of July there might have been anything, sir. I am only in charge since the 1st of November, and the big increases have all come since the 1st of January.

The CHAIRMAN. I think it was 7 per cent from the 1st of July to January.

Mr. COTTON. That period would probably show a shrinkage. But since the time the system went into effect there has been a big increase.

It was very early evident that the amount of these pork purchases——

Senator GRONNA (interposing). Mr. Chairman, before Mr. Cotton goes into the amount of beef exported, I would like to ask him a few questions——

Mr. COTTON. Surely.

Senator GRONNA (continuing). In regard to the capitalization of these five big packers.

The CHAIRMAN. Yes.

Senator GRONNA. Can you give the committee approximately the total amount of the capitalization of what we call the "big five," Mr. Cotton?

Mr. COTTON. I might make errors, and I would rather give it to you precisely. For instance, I have some of those figures in my head: Armour would have a capital and surplus of \$160,000,000 and a bond issue—I do not know—it may be \$80,000,000 or \$100,000,000. Swift is not far from the same figure. Morris, Cudahy, and Wilson are very much smaller. I should think that the three of them would make one the size of Armour. And their general ratios are the same. I mean, the general ratio of bonds to stock is about the same.

Senator GRONNA. Will you kindly put the exact figures in the record if you have them?

Mr. COTTON. Yes.

Senator GRONNA. In speaking of surplus, they all have a large surplus, I take it?

Mr. COTTON. All these large concerns, excepting one, have a large surplus.

Senator GRONNA. Then, are they allowed to make 9 per cent on surplus?

Mr. COTTON. Sure; on any money they have, no matter where it comes from—I mean, without regard to what the source of it is at all.

Senator GRONNA. Of course, that would not necessarily have to mean any money; that would be only profits. Surplus is regarded as any additional money added to an institution. The banks, for instance, have a surplus, but that is only profit. The amount of money put in is the original issue of capital stock.

Mr. COTTON. It is not on that basis at all. The rules mean that the packers are to have 9 per cent on all the cost of the property, or value of the property that is there; it does not make any difference, from the point of view of that regulation, whether they got it by bonds or whether they got it by stocks, or borrowed it at the bank.

Senator GRONNA. And, of course, that includes abattoirs and their branch real estate?

Mr. COTTON. Surely, whether they got the money from stock issued, or whether they got the money from the public, or whether they got the money borrowed from the bank.

Senator GRONNA. You permit a man to take an inventory, and value their plant, and whatever money that plant is worth, together with any money that they may have borrowed, or any money they may use in the business, they will receive a profit of 9 per cent on that?

Mr. COTTON. Roughly; yes.

Senator PAGE. I think, Senator, you mean this: They take an inventory of their real estate wherever it is.

Senator GRONNA. I mean of everything.

Senator PAGE. Of everything, of personal property—take an inventory of the cash balances; whatever is engaged in that business they foot up and get their 9 per cent upon it.

Senator GRONNA. Well, of course, only in a small way. But I think I have taken as many inventories as the average man, and when I asked the question I meant exactly what I said. If Mr. Cotton is allowing the packers to make 9 per cent on the value of their plants and on all the money they had invested, on all the money that they had borrowed—

Senator PAGE. The borrowed money is in their plants and in their inventory.

Senator GRONNA. Of course; it is not necessary to discuss that.

Mr. COTTON. Just one word on that. I am not putting it at that figure or any other figure, because I like it; I mean I am putting it at that figure under the President's direction.

The CHAIRMAN. What was the President's direction embodied in?

Mr. COTTON. It is embodied in a proclamation that they are to get the pre-war normal profit.

The CHAIRMAN. Will you print that in connection with your statement?

Mr. COTTON. Yes. And my profit regulations are merely an interpretation of that principle?

Senator WADSWORTH. That is somewhat in conformance with the provision of excess war profits tax law, which permits a concern to earn from 7 per cent to 9 per cent on its capital invested before an excess-profits tax is deducted?

Mr. COTTON. Surely.

Senator PAGE. But, Senator, we are not permitted to count the borrowed money—

The CHAIRMAN. Nor bonds.

Senator PAGE. Of any private institution.

Mr. COTTON. That is quite right.

Senator NORRIS. That borrowed money would be profitable, of course, to the packer. If they borrowed money at a less rate than the profit rate, they would make a profit on every dollar they borrowed, and if they had to pay more they would, of course, lose.

Mr. COTTON. Yes.

Senator THOMPSON. Do you mean to say that on all money the packers borrow they are allowed 9 per cent?

Mr. COTTON. Surely.

Senator THOMPSON. If they borrow for, say, 4 per cent?

Mr. COTTON. Surely.

Senator THOMPSON. They are entitled to 9 per cent on what they borrow, regardless of what is done with the money?

Mr. COTTON. May I just say in regard to that, do not treat that as a question of right or wrong, or wisdom or unwisdom.

Senator THOMPSON. I say, is that regardless of what is done with the money?

Mr. COTTON. Surely, provided it is invested in the business.

Senator THOMPSON. That is what I want to know. Do you count that again as investment after it gets into the plant and allow them 9 per cent again on that?

Mr. COTTON. You mean, do I do it twice?

Senator THOMPSON. Yes; do you do it twice?

Mr. COTTON. Oh, my, no. I take an inventory of what I find. There is 9 per cent on that, and I do not care where it came from. It might come from borrowings, it might come from stock, or what they got in the past, I do not care.

Senator THOMPSON. What I want to get clear is this: If you found a note for \$10,000 upon which they had borrowed—

Mr. COTTON (interposing). I would pay no attention to it; I would never look at it, as to whether they got the money from a note or stock, or somewhere else.

The CHAIRMAN. They were, roughly, making about 9 per cent on their capital stock, bonds, surplus, and borrowed money?

Mr. COTTON. Before—

The CHAIRMAN. Before the war.

Mr. COTTON. Yes, sir; that represented roughly their prewar normal. It is no good telling a packer to keep to his prewar normal. I do not know whether you gentlemen know them, but that would not have been an effective command.

The CHAIRMAN. I think Armour made twenty-odd per cent on their capital stock.

Mr. COTTON. I do not know what they make on their stock.

The CHAIRMAN. I think Swift's last report shows 23 per cent.

Mr. COTTON. Really, it was more than that. I mean, that is before deductions for taxes.

The CHAIRMAN. I was looking over the figures yesterday. I think one concern made 33½ per cent.

Mr. COTTON. I think you have Swift in mind.

Senator NORRIS. I have before me here the financial statement of Swift & Co., and the profits for the fiscal year ending September 29, 1917, were dividends \$10,000,000, added to surplus \$24,650,000. That made a profit for the year of \$34,650,000. They had a capital stock of \$100,000,000 and a surplus of \$59,000,000; and they have some reserves.

Mr. COTTON. That is the report of the year ending September 28, I think.

Senator NORRIS. September 29. That is before you took charge.

Mr. COTTON. Before I took charge, a report I should hope not to see duplicated under present regulations; under present regulations they might come away with less than half of that. In our regulation there is not included their outside business, which does not relate to food or the business which is in foreign countries. The largest item of that is the South American investment of the packers, and those I am not attempting to control the profits on at all. They can make what they can make on that.

Senator GRONNA. May I ask another question, Mr. Chairman?

Mr. COTTON. Surely.

Senator GRONNA. In fixing the profits of 15 per cent on the by-products you said a moment ago that it was fixed according to the market reports. Of course the market reports will be issued by the subsidiary company?

Mr. COTTON. No; pardon me. I must have made an error if I said that. The 15 per cent is on investment; not on their market reports at all. Fifteen per cent is their investment in specialty business, not at all on their market reports.

Senator GRONNA. The 15 per cent is based on what it cost the subsidiary company; is that right?

Mr. COTTON. No; the 15 per cent is figured on the amount of money invested in the subsidiary business, wherever it came from.

Senator GRONNA. Then you do not take for a basis the turnover?

Mr. COTTON. No.

Senator GRONNA. You simply take the capital stock employed and the borrowed money and any amount of money used?

Mr. COTTON. In the subsidiary company. For instance, these questions are all somewhat intricate, but the main reason is this: A packer will take his beef, and when the steer is killed there will be a turnover in regard to beef products within a few weeks, but the hide goes through a process and will not be turned over in six months, or eight months, or nine months, it may be. So, a profit based on the turnover of a manufacturing business of that sort would not bear any relation to prewar normals, and would not be a wise method of regulation—at least I should think it would not.

Senator GRONNA. You remember a few years ago, Mr. Cotton, it was charged, and I think an investigation was made, that when the packers turned over these by-products to the subsidiary company there was a wide spread. Have you investigated that, or do you take that into consideration at all?

Mr. COTTON. Entirely. In ascertaining the transfer value of the by-products, the packers must be carefully watched, and this limitation on the profit of the specialty department is in addition. It is simply to make a top lid, so if they fool you on transfer values they do not get away with it.

Senator GRONNA. In other words, you do not allow the packer to make any profit on the by-products?

Mr. COTTON. No, sir. I allow him to make his prewar profit on by-products. But I have put a lid on it—that is, the 15 per cent is a general lid on all his by-products. I do not like to say it is because we do not trust him, but because I want to watch him, 15 per cent on the specialty business, which is one-fourth to one-fifth as large as the meat business.

Senator GRONNA. Do I understand you to say that you allow the packers to make a profit on the by-products, and after the by-products are turned over to the subsidiary you again allow them to make a profit—

Mr. COTTON. No; not on the same stuff. The large packer will do a business—it is a complicated thing.

Senator GRONNA. I know, but—

Mr. COTTON (resuming.) For instance, he will have the steer, and his accounting for his meat business will show what the steer cost him, and then he will turn over the hide to his specialty department, the leather department, and the leather department pays the meat department what he says is the value of the hide. All that is meat; that is, the hide value is a part of the meat business, and on that he gets only 9 per cent. But, then, the packer goes on and conducts, in some cases, the business of a tanner, and he has money invested in a tannery. Now, on his tannery he gets 15 per cent—on his tanning business.

Senator GRONNA. According to your statement, I am right when I assume that the packer makes the 9 per cent on the by-product—that is, on the hide, which I call "by-product"; and I presume he makes it on all by-products. And after it is turned over to the subsidiary company, the subsidiary again is permitted to make a profit of 15 per cent.

Mr. COTTON. But not on the hides. He makes the profits of 15 per cent on his tanning plant, which has nothing to do with the hides.

Senator PAGE. May I just have a word? The Lawrence Leather Co., of Boston, is perhaps one of the largest, if not the largest, firm of tanners of calfskins in New England. They buy their calfskins of the abattoir, or they buy them outside. Mr. Swift has said, "Each tub must stand upon its own bottom." The large company may buy the hides or the calfskins of Armour & Co., or buy them of anybody else. They do not handle merely their own hides; they are not tanners of simply their own abattoir hides and skins, but they buy in the market. It is entirely disconnected; and if you will conceive that idea that "each tub must stand on its own bottom" and that the tanning company might buy wherever they can, it would simplify matters.

Mr. COTTON. They do.

Senator PAGE. Wherever they can buy cheapest. In that way you will get the idea pretty clearly fixed in regard to that problem.

Senator GRONNA. I think I understood, Mr. Cotton—and I do not want to take any more time—but I know how it works in a department store. We want each department "to stand on its own bottom." But at the end of the year, if each department is permitted to make a profit, when we add it all together it will show a very handsome profit for the concern.

Senator PAGE. But the stockholders of the Lawrence Leather Co. are not the stockholders of Swift & Co. It is an entirely different corporation. It is true that the Swifts control 51 per cent of the stock; the other stock is divided among their employees, and it is a different corporation.

Senator GRONNA. It should not make any difference, Senator, who owns the stock. I do not think it would make any difference. I am trying to find out what it is going to cost the consumer, and what profit he is paying to the packer and to those who handle the meat.

Mr. COTTON. He is paying about prewar normal, as near as I can come to answering it, and there is no duplication of profit on those transfers. May I go on?

The CHAIRMAN. Yes, sir.

Mr. COTTON. Anybody looking at the amount of hog-meat purchases and lard purchases for the allied Governments in this market, even at the amount they were buying when this business was taken over, November 1, and more so now, would realize that the amount of products taken out is so big in proportion to the total consumption of the American people—and, what is more important, in proportion to the hogs coming to the commercial markets of the United States; and would further realize that the prices paid substantially affect and must substantially affect the price paid in the commercial markets for the live hogs.

The CHAIRMAN. You mean now, taken by the allies?

Mr. COTTON. The demand is so great, the amount taken by the allies, plus the amount taken by the Army and Navy, is so great that it does affect it. There is no question about it.

The CHAIRMAN. That is both on beef and pork?

Mr. COTTON. No. If you will let me, I want to take up hogs first.

The CHAIRMAN. Yes; I would be glad to have you do that.

Mr. COTTON. I realized that, I think, quite clearly in November. It is also true that the way in which prices have been made in the past has been, speaking generally, that the packer has bought hogs as cheap as he could and sold them as high as he could; and, consequently, when the runs were large in the winter there was also a tendency to slack the price of hogs, as when the market is crowded each one of these packers gets what he wants and the balance is slashed. It does not matter whether that is a plan; it is a fact. It does not matter whether it is done in concert; it is a fact. It is a method. So, it was very clear, whether we liked it or not, we could not help it. The allies would have been in the same position themselves if we were not in the situation. The allied buying must necessarily somewhat affect the hog prices for the rest of the market.

Feeling sure of that, knowing that that would be so, and also feeling sure that the hog was an absolutely necessary animal—when they tell us a hog is a "shell" they are telling something like the truth—I called in a committee of producers that were as good as I knew—the list of them is here.

The CHAIRMAN. Will you give their names?

Mr. COTTON. There are two committees: A hog production committee, with Evvard, Butler, Skinner, and Funk—there are more of them who are well-known hog men. This was after a good deal of discussion. I wanted to find some way to stop the slashing of hog prices this winter, so that the people would go ahead and breed their hogs and fatten their hogs.

That committee filed with me finally a report, which is an admirable report; and they said, in order to make the hogs breed you have got to fix a minimum practically for the winter; and you have got to see that a ratio of corn and hogs is maintained for the hogs farrowed in the spring that come to the market next year.

That report I took and, in the main, adopted. I put it that way because I do not want to put too much responsibility on the committee, because I did not adopt it precisely. And I then said in a statement which was published that power of the export buying would be used to support a minimum of \$15.50 for the average of the packers' droves on the Chicago market, which is a general.

base market, until further notice. I did not try to fix differentials all over the country. And that minimum I have urged the packers to support, and the price has not been below that minimum, and it did not go down to that minimum. It went one day awfully close to it; but that minimum has not been a maximum, and no man who studies the result of this year's markets can think it for a moment. For instance, hogs to-day are not within \$1.50 of that minimum, and they have not been anywhere near it but once.

The CHAIRMAN. Are they \$1.50 above that?

Mr. COTTON. Sure; \$1.50 above, or they were yesterday.

The consequence is that this winter's market has not done what markets have usually done—shown a tremendous slash. Now, that is the only instruction I have given the packers as to the hog market, excepting the effect that comes from the placing of orders for a product; in no other way have I touched the market.

That market has been very unsatisfactory in one way; that is, it has been unsatisfactory in that the prices have shown a good deal of vibration from day to day—more than usual. I have not in any way attempted to control that, for two reasons: First, I did not want to go in and run the packing business more than I could help; second, owing largely to weather the receipts have been enormously varying, sometimes a lot and sometimes very few. We tried to start a zone system in two of the big markets. In one of them it worked fairly well; in the other one not so well. That is, roughly, the policy as to hogs, and the only policy so far as there has been one.

The CHAIRMAN. On some occasions, I think, Mr. Cotton, the receipts have been practically the same.

Mr. COTTON. I do not doubt it, sir; I say that is where the market has been unsatisfactory. But the only directions have been the ones I have told you about, which have been in writing.

The CHAIRMAN. Will you attach those orders to your statement?

Mr. COTTON. Yes, sir.

Now, the corn ratio, which is also given in that statement, has not yet, of course, come into effect. In general, I have followed the lines that the producers' committee suggested, but I did not go so far as they wanted in all particulars. For instance, they said that the minimum should be \$16 for the winter; I said \$15.50; but, as a matter of fact, the price has been away above \$16. That is, I thought that the market actually would play quite a way above a minimum price.

Now, in regard to beef, there was also an advisory committee. The purchases of beef for the allies in November and at the beginning were very much less in tons, very much less in percentage of total product, and very much less in percentage of product coming to the central market than purchases of hogs. That is, there were four or five times as much hog meat bought as there was beef.

The CHAIRMAN. That is pretty generally true?

Mr. COTTON. It has been true in the past. The cattle committee, with which I advised, were very keen that I should keep my hands off the beef situation altogether. That, as far as they gave me advice, was their advice, and that was the policy I adopted. That is, I have not interfered in the beef market or given directions to the packers as to how to run their beef market, with the exceptions which I will now state.

We have let the allies choose the orders, the kind of beef that they would order and, so far as we could, we have given them what they wanted. We have not been able to do that altogether, because we have to give the Army right of way, and we are not able to give them what they want in tinned beef. But, speaking generally, the allies have gotten what they ordered, and they have ordered a rather low-grade type of carcass, a carcass which has not been corn fed. There are two exceptions to that. When I came in in December there was quite a lot of carcass beef on hand in the freezers. I made arrangements with the allies to take that carcass beef very much as it stood in order to create a reserve supply on the other side, and they finally agreed to take that carcass beef if I could get it for them at a certain price, and it seemed to me wise to empty the freezers of that carcass beef and have an outlet. You understand, sir, that, speaking generally, the beef eaten here is not frozen, and all beef going abroad must be frozen, and that the packers do not usually keep a large stock of frozen beef, so that that frozen beef usually is bought not out of stock, but to order.

I do not think that the allied orders up to date have been sufficient in volume largely to affect the cattle prices, excepting that they may have had the effect—as any demand has the effect—of somewhat stiffening the market for the lower or average grades of beef. For instance, if you will study the market for this year since November you will find the average cattle which the allies were buying keeping up very steady, with a slight tendency to go up, but not much; whereas you will find the better class of beef constantly going down. That is, the full-fed, corn-fed stuff has been going down from November until now, and the spread has been narrowing all the time.

The CHAIRMAN. That is true of lambs, too, is it not?

Mr. COTTON. I am not sufficiently familiar with the lamb market to give you an answer that would mean anything.

The allied orders have not been for the high-class beef, nor have the orders for the Army and Navy. Early in the winter I did permit myself to say that full-fed beef was a war-time luxury, that probably would get into trouble. I made that statement to the cattlemen at their meeting, and it has been largely borne out by the course of those prices, and it was partly from my view of those prices that I made it.

About a month ago I started to get the allies to take some of the higher-grade beef if I could, simply as a matter of helping out the feeding situation, which I knew to be a difficult one. I have gotten some orders for that, which I think will give some temporary help to the feeder. But excepting in that case, where the allies have acceded to our wishes that they take a higher grade of beef, where we did it deliberately to help to get over a hardship of the feeders, and the other case where we got the allies to take the frozen stuff, provided they could get it at a price, I have not interfered with the beef market.

But it is also fair to say in that connection that the indications of an increased demand on the part of the allies at the present time are so great that there is a good chance that the allied buying will become a factor in the beef market, as it is a factor in the hog market. To meet that time I have been getting up plans, which now are no more than in the plan stage, to do what is difficult to do, to get the Army and Trade Commission together and get in some producing elements, like the hog committee, with the idea of seeing that the effect of that buying on the market will be a stabilization of the beef market. So that I want to make clear that the indications are that some such plan, difficult as it may be and little as anybody wants it, will have to be followed, simply as a plain military necessity, to get that beef. All the voluntary conservation is only a drop in the bucket compared with the orders that the allies are talking about. That will not be a Food Administration matter. When you come to discussing the fixing of that price I do not think any man is wise enough to do it. So the plans were to get all the Government departments and the producers together. I am not hoping for an agreement with the producers; that is, nobody represents them now with authority to agree and bind them; but no such step would be taken without full consultation.

That, in general, is the work of the division. I want to impress upon you once more that the main work of the division is to get beef and hog meat on certain ships and going. That is the work of the division which must go on, no matter who gets hurt. Nobody means to be unfair, but that meat has got to go on and is going on. The amount going out is greater than ever before. It is actually going, and the ships leaving the seaboard in the last two weeks have carried a greater quantity than ever before.

The CHAIRMAN. Do you speak particularly of the allies, or does that apply to the Army as well?

Mr. COTTON. I have never done the Army buying in any degree, but I should say, and the Army agrees in this, that it is inevitable that the Army come practically to this system of buying.

Senator PAGE. Are your labors settling in any measure the question of price between the consumer and the producer?

Mr. COTTON. We are a sort of "buffer" between them. As to hogs, yes; our purchases in some degree affect the market. That was the reason I got that production committee together and followed them on the minimum and tried to follow them on a corn ratio, too.

Senator PAGE. If your price is too low, the farmer will complain, and if it is too high, the consumer will complain.

Mr. COTTON. Further than that, sir, both sides do complain. I have not done the beef, but I will say frankly the Government will come to doing the same

thing on beef. It is not a question of price fixation or anything of the kind; it is simply the effect that the big buyer has on those markets, and it is perfectly idle to say that he has not an effect.

Senator GRONNA. You are anxious to do as well as you can for our allies abroad, but in your endeavors to do that are you not likely to bear the price to the producer to such an extent that he is going to lose courage?

Mr. COTTON. If any action of mine brings in its train any such result, it is a foolish and deplorable result which I hope we can avoid. I mean, it is just because of that that I say there will be no action on beef by the Food Administration that the whole Government does not join in. There has been no such action as to hogs, no action that the producer did not have ample opportunity to hear of and where his recommendations were not largely followed out. But remember, the falling off of the demand for the high-class beef, the juicy beef, is something that happens in war, and that is something that affects the producer of cattle, and it may be nothing can help him excepting direct Government action in the shape of subsidy or what not.

Senator GRONNA. Why should that apply to hogs?

Mr. COTTON. Why should what apply to hogs?

Senator GRONNA. They are paying less for heavy hogs now than they are paying for light hogs.

Mr. COTTON. At the minute the packer is paying less for heavy hogs than he is for the light hogs.

The CHAIRMAN. And that, notwithstanding there is a great demand for fats and the producers were encouraged to put on a good deal of fat?

Mr. COTTON. That has come about, in the first place, for this reason: All the hogs have come heavy, heavier than we ever knew them; some because of a damming back of the transportation, some because of a large supply of soft corn. The domestic demand for the lean hog, for the eastern trade, which wants lean breakfast bacon, is holding up the price of the light hog. That same demand is not holding up the heavy hog. The packers, as far as they are able, are buying the lean hogs at a premium, because they can sell them for more. That is not because of any direction of any governmental body that I know of; there is no direction about it. The point is not whether the light hog is carrying premium as opposed to the heavy hog; the point is whether the price of the heavy hog is unfair. Either we have got to go in and run that packing business altogether or else we have got to say it does not matter whether the light hog is too high or the heavy hog is too low.

Senator GRONNA. But it costs more to produce the heavy hog than to produce the light hog.

Mr. COTTON. Surely.

The CHAIRMAN. We have had evidence that the heavy, fat steer is selling relatively low as compared with the medium and poorer stuff.

Mr. COTTON. There is no doubt about it, sir.

The CHAIRMAN. And that the heavy, fat lamb is selling for relatively more, as compared with the medium and inferior lamb, and that the heavy, fat hog is selling very low, as compared with the medium and inferior stuff. Is not that an eccentricity of the market?

Mr. COTTON. That is an eccentricity of the market. I have just given you a reason for that as to hogs. The domestic demand for the light hog and lean bacon is keeping up the price of light hogs.

The CHAIRMAN. But it looks as if that would have been a constant factor heretofore.

Mr. COTTON. The difference is this, that in ordinary times there are a lot of lean hogs; to-day there are very few lean hogs, and the domestic demand for the lean hog sends up the price.

The CHAIRMAN. Would not that also be true as to beef?

Mr. COTTON. No; not at all, I should think.

The CHAIRMAN. Or the lamb business?

Mr. COTTON. The lamb business I have never had any relation to.

The CHAIRMAN. You see, we have had the same thing happening with respect to three products—beef, hogs, and lambs. That experience is in each case a deviation from previous experience.

Mr. COTTON. It is by no means necessary that it is due to a constant factor, sir. The fact that the full-fed cattle brings less in proportion than the average cattle, and that the spread is less, arises, I believe, practically from the fact that the very fat cattle are not economical and are not being eaten in war times. I do not want to commit the Food Administration to that statement;

you ask me what my belief is, and that, I think, is the reason why the spread is less.

The CHAIRMAN. It is singular, though, that there would be three deviations from normal, all in the same direction——

Mr. COTTON. I do not think it is, sir.

The CHAIRMAN (continuing). And due to different causes.

Mr. COTTON. I do not know about the lamb situation, and I do not answer that. As to hogs and cattle, I think it is due to different causes.

The CHAIRMAN. Have you taken this into account, that while Chicago is your basis, both for hogs and for corn, in Oklahoma, say, which is my State, corn is a good deal higher than in Chicago and hogs a good deal less, which cuts the producer both ways?

Mr. COTTON. You can not make a general rule that will be fair to every producing State. You have got to have some effective rule. The condition that you speak of is a condition that exists; it has not existed all winter as to both ends of it. I do not know how you can control that condition unless the Government takes over corn distribution, meat distribution, and everything else, which is a thing that the Government has not attempted to touch.

The CHAIRMAN. Spare us that.

Mr. COTTON. Yes; that is my own idea. I should hate to see this Government go into that.

The CHAIRMAN. We will adjourn now until to-morrow at 10.30. I wish you would bring statistics on these points: The number of cattle, sheep, and hogs in the country, say, during the last five years, and the slaughter for each of the five years. Then, if you can, show the slaughter since the beginning of the war, as compared with a similar period in preceding years—say, for some period last year as compared with a similar period the year before. The amount of stock on hand, in packing houses, and on the hoof. Also from the 1st of November the exports of beef and pork as compared with a similar period the year before.

(Thereupon, at 12 o'clock m., the committee adjourned until 10.30 o'clock a. m. to-morrow, Wednesday, Mar. 20, 1918.)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., Wednesday, March 20, 1918.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Hon. Thomas P. Gore presiding.

Present: Senators Gore (chairman), Page, Gronna, Norris, and Wadsworth.

The CHAIRMAN. The committee will come to order. Mr. Cotton, Mr. de Ricqles is here and has to leave, I believe, to-night. He wants to make a brief statement about the financial situation in the West. Would it inconvenience you if we should hear him now?

Mr. COTTON. Not at all.

STATEMENT OF MR. A. E. DE RICQLES, 819 SEVENTEENTH STREET,
DENVER, COLO., PRESIDENT OF THE AMERICAN CATTLE CO.,
AND THE AMERICAN LIVE STOCK & LOAN CO.

The CHAIRMAN. Mr. de Ricqles, will you please state your full name and address and your occupation?

Mr. DE RICQLES. A. E. de Ricqles, Denver, Colo., president of the American Live Stock & Loan Co. and the American Cattle Co. I would like to take 10 minutes, gentlemen, if you will allow me, in connection with a financial matter that concerns production in the cattle and sheep business.

Our operations are in what is known as Federal reserve district No. 10, which includes Wyoming, Colorado, Nebraska, Kansas, and part of Oklahoma. We are in this situation: We are a producing district, especially so far as live stock is concerned, and in the spring of the year large numbers of cattle are brought into that district from Texas, New Mexico, and parts of Arizona, and are fattened for beef and for big beef animals in the fall of the year. In addition to that, the cattle that are in that district are largely fattened on grass. Therefore, in the spring of the year they are not available as meat animals. I take it you are all interested in the production of meat animals as a part of the war program. It is necessary, therefore, for us to be able to continue our operations throughout the grass season to make these cattle weigh

1,200 pounds in the fall rather than 800 pounds on the 1st of April or the 1st of May. I think that situation is familiar to all of you.

We are up against this sort of proposition: The Federal Government and all of us are particularly interested in the subscriptions to these liberty bonds. The West is very patriotic and desires to participate to the fullest extent in this subscription. However, we receive practically no benefit from the activities in the Government in the matter of purchase of war materials, such as munitions, uniforms, automobiles, flying machines, etc. Therefore the money that is subscribed for the liberty bonds goes out of the banks and does not come back to us in the form of payments for these various Government purchases.

The idea now is that the banks are called upon for about 10 per cent of their available assets to subscribe for these bonds, which is fine if they can do so. But if this is accomplished, if the banks pay out this money and it leaves the country it means that the activities in fattening these cattle will be greatly decreased. The bond, therefore, practically defeats its purpose; that is, in our particular district.

Now, I am here to ask you if it is not possible for this influential and powerful committee in some way to work out a stand by which, in that district particularly, some of this money can be left in the national banks, as against bonds or otherwise, so that this normal cattle movement can be handled as in years past. Otherwise, I say to you frankly, a number of these cattle that will be maturing into condition will be sacrificed this spring, and your production this fall, when you really need it; will be curtailed. Witness the fact that the number of cars ordered for this movement at this time I mentioned and the points I have indicated is very much less than it was a year ago.

Senator PAGE. Is there not a constant stream of eastern money going to you on your cattle notes?

Mr. DE RICQLES. No, sir. A large number of the eastern bankers have advised us that we must look to the West to finance our cattle operations.

Senator PAGE. How long has it been since that movement stopped?

Mr. DE RICQLES. There has been a certain amount of paper bought by the eastern banks for western operations, but the movement of cattle paper at this time and for the last six months to eastern banks has been gradually growing less.

Senator PAGE. Is that because the banks have been putting their money into the liberty bonds?

Mr. DE RICQLES. Because the banks are, I think, engaged in financing a great many of these new undertakings.

Senator PAGE. Your paper is regarded as pretty good?

Mr. DE RICQLES. It is first class, and available for discount.

Senator PAGE. And you got a higher price from those to whom you sold than the eastern market warrants, so why should you not get the money?

Mr. DE RICQLES. Yesterday I was in a number of New York banks, such as the Commerce, the Chase, and the Guarantee Trust, and they all said there was a great scarcity of money, and they were getting ready for this liberty bond issue, and while they were ready and willing to take care of the paper they did have, they did not want any new paper. That means it will be difficult to finance these new cattle.

Now, it seems to me one of the most important things we have to deal with in this country just now is to finance our meat supply. It is a normal situation that happens every year, and if we are going to put the money into liberty bonds we are going to be short of funds to carry on this particular line of industry. It is a very serious menace.

The CHAIRMAN. Will you state again, Mr. de Ricques, just what your concrete suggestion is to meet this situation?

Mr. DE RICQLES. I ask the committee, Senator, if they will not in some way get in touch with the Treasury Department—pardon me for even offering a suggestion to your committee—and explain to them this situation, so they will understand that while Pittsburgh will be full of money, and it will be all right to call on them for 10 or 15 per cent, possibly, of their stuff, with us it is entirely different.

The CHAIRMAN. The point I was getting at is that your suggestion does not involve any new legislation?

Mr. DE RICQLES. Not at all. Allow me to continue for just a minute.

The banks in the district I have mentioned have recently received a letter from the governor of the Federal reserve bank at Kansas City, in which he advised very strongly reducing loans. Of course, no man interested in a bank

wants loans for things that are not necessary. We have curtailed every loan for nonessentials in which we are interested. But it occurs to us that possibly you could find a way for us to curtail some of this cattle paper. Out in our country we can not pay these cattle loans in the spring of the year in justice to our country and to ourselves. We just managed to get our cattle through the winter in fair condition. Mr. Lasater will confirm what I say. In the fall of the year these cattle become beef, and it just means the difference between a large supply of meat when we will need it as against nothing.

Now, there has undoubtedly been discouragement. The feeders have been discouraged this winter by the results they have had in the feed yard, in Iowa and elsewhere, and their operations undoubtedly have been unprofitable. I speak simply as a patriotic citizen, hoping that we can do something to encourage this beef production and take care of it, regardless of the cost. I do not think there is any man in the cattle business out West that is thinking of anything except his country. I know I can pledge them to the committee.

The CHAIRMAN. Was this suggestion that you mentioned by the governor of the Federal reserve bank at Kansas City, about curtailing loans, made without discrimination, or did it expressly relate to nonessentials or the less essential things?

Mr. DE RICQLES. My understanding is that cattle loans were mentioned as part of the opportunity holding and invest in bonds. At this time we find 90 per cent of the cattle business is done on borrowed money.

Senator PAGE. What rate of interest do the cattlemen pay?

Mr. DE RICQLES. Seven and 8 per cent.

Senator PAGE. They do not go as high as 12 per cent?

Mr. DE RICQLES. I have not seen a piece of paper in 20 years at 12 per cent.

Senator PAGE. I have.

Mr. DE RICQLES. Well, Senator, it would be a rare occasion.

I thank you.

The CHAIRMAN. Mr. Cotton, you may proceed.

STATEMENT OF MR. JOSEPH P. COTTON—Resumed.

Mr. COTTON. There was one thing I thought over yesterday, and perhaps I was not clear upon, and that is to say that the wool and the hides are part of the packers' meat business, and as such are subject to the 9 per cent restriction that we spoke of yesterday.

The CHAIRMAN. I thought you spoke of that when you mentioned hides.

Mr. COTTON. I was not sure that I was clear on that.

I have here the various papers for which you asked me, the Executive order of the President and the statistics of the crop estimate as to the number of live stock in the country as of January 1, 1918, comparing it with the preceding year.

(The Executive order referred to is here printed in full, as follows:)

EXECUTIVE ORDER.

I hereby authorize and direct the United States Food Administrator, in prescribing regulations for licenses under section 5 of the act of Congress approved August 10, 1917, entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," and in enforcing and carrying into effect, so far as it relates to foods, feeds, and their derivative products, that part of section 5 which reads as follows: "Whenever the President shall find that any storage charge, commission, profit, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue the same, unless such order, which shall recite the facts found, is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory and unfair storage charge, commission, profit, or practice. The President may, in lieu of any such unjust, unreasonable, discriminatory, and unfair storage charge, commission, profit, or practice, find what is a just and reasonable, nondiscriminatory and fair storage charge, commission, profit, or practice, and in any proceeding brought in any court such order of the President shall be prima facie evidence;" to find that a just, reasonable, and fair profit is the normal average profit which persons engaged in the same business and place obtained prior to July 1, 1914, under free competitive conditions; to indicate,

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if he shall see fit to do so, what margin over cost will return such a just, reasonable, and fair profit; and to take such legal steps as are authorized by said act to prohibit the taking of any greater profit.

WOODROW WILSON.

THE WHITE HOUSE,
November 27, 1917.

(The statistics as to the number of live stock as of January 1, 1918, compared with the preceding year, are here printed in full, as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF CROP ESTIMATES,
Washington, D. C., February 1, 1918.

The crop reporting board of the Bureau of Crop Estimates of the United States Department of Agriculture, from reports of its correspondents and agents, makes the following estimate of live stock on farm and ranges of the United States (1917 figures revised):

Farm animals.	Numbers.		Values.	
	Per cent of preceding year.	Total number.	Per head.	Aggregate.
HORSES.				
Jan. 1—				
1918.....	101.7	21,563,000	\$104.28	\$2,248,628,000
1917.....	100.2	21,210,000	102.89	2,182,307,000
1916.....	98.8	21,159,000	101.60	2,149,746,000
1915.....	100.1	21,196,000	108.23	2,190,102,000
1914.....	101.9	20,902,000	109.22	2,291,637,000
1913.....	100.3	20,567,000	110.77	2,278,222,000
1912.....	101.1	20,509,000	108.94	2,172,094,000
1911.....	102.2	20,277,000	111.46	2,259,961,000
1910.....		19,833,000	108.03	2,142,524,000
MULES.				
Jan. 1—				
1918.....	102.1	00	128.74	\$81,064,000
1917.....	102.8	00	118.15	658,016,000
1916.....	102.5	00	113.83	822,834,000
1915.....	100.7	00	112.36	608,271,000
1914.....	101.4	00	122.86	561,017,000
1913.....	100.6	00	124.31	645,245,000
1912.....	100.9	00	120.81	525,657,000
1911.....	102.7	00	126.92	644,359,000
1910.....		00	120.20	806,040,000
MILCH COWS.				
Jan. 1—				
1918.....	101.7	00	79.89	1,643,639,000
1917.....	103.6	00	96.63	1,965,251,000
1916.....	100.0	00	83.92	1,191,866,000
1915.....	102.5	00	85.33	1,176,338,000
1914.....	101.2	00	83.94	1,116,487,000
1913.....	99.0	00	46.02	922,783,000
1912.....	98.4	00	39.39	815,414,000
1911.....	100.9	00	39.97	882,209,000
1910.....		00	35.29	727,802,000
OTHER CATTLE.				
Jan. 1—				
1918.....	104.5	48,546,000	46.98	1,780,052,000
1917.....	104.7	41,889,000	35.92	1,497,621,000
1916.....	107.4	39,812,000	33.88	1,334,928,000
1915.....	103.4	37,067,000	33.38	1,237,376,000
1914.....	99.8	35,855,000	31.13	1,116,333,000
1913.....	96.7	36,030,000	26.36	949,645,000
1912.....	98.9	37,200,000	21.21	789,064,000
1911.....	96.4	39,679,000	21.11	838,184,000
1910.....		41,178,000	29.07	786,261,000
PIG.				
Jan. 1—				
1918.....	102.7	48,900,000	31.92	\$77,067,000
1917.....	97.9	47,616,000	7.13	339,539,000
1916.....	97.3	48,625,000	3.17	251,594,000
1915.....	100.5	49,956,000	4.50	224,687,000
1914.....	96.6	49,719,000	4.02	200,045,000
1913.....	96.3	51,182,000	3.24	300,779,000
1912.....	97.6	52,362,000	2.46	191,170,000
1911.....	102.3	53,633,000	3.91	209,535,000
1910.....		52,448,000	4.12	216,089,000

¹ Census report of numbers, Apr. 15, 1910.

Farm animals.	Numbers.		Values.	
	Per cent of preceding year.	Total number.	Per head.	Aggregate.
SWINE.				
Jan. 1—				
1918.....	105.7	71,374,000	\$19.51	\$1,392,276,000
1917.....	99.6	67,508,000	11.75	792,898,000
1916.....	104.9	67,766,000	8.40	569,573,000
1915.....	109.6	64,618,000	9.87	637,479,000
1914.....	96.3	58,933,000	10.40	612,951,000
1913.....	93.5	61,178,000	9.86	603,109,000
1912.....	92.7	65,410,000	8.00	523,328,000
1911.....	112.8	65,620,000	9.37	615,170,000
1910.....		¹ 58,186,000	9.17	533,309,000

¹ Census report of numbers Apr. 15, 1910.

N. B.—The number not on farms, i. e., in cities and villages, is not estimated yearly, but their number in 1910 as reported by the census was: Horses, 3,183,000, mules, 270,000; cattle, 1,879,000; sheep, 391,000; swine, 1,288,000. The census of 1910 also reported 106,000 asses and burros on farms and 17,000 not on farms; 2,915,000 goats on farms and 115,000 not on farms.

Following changes in farm animals compared with January 1, 1917, are indicated:

In numbers, horses have increased 353,000; mules increased 101,000; milch cows increased 390,000; other cattle increased 1,857,000; sheep increased 1,284,000; swine increased 3,871,000.

In average value per head, horses increased \$1.39; mules increased \$10.59; milch cows increased \$10.96; other cattle increased \$4.96; sheep increased \$4.69; swine increased \$7.76.

In total value, horses increased \$66,319,000; mules increased \$63,058,000; milch cows increased \$278,388,000; other cattle increased \$282,431,000; sheep increased \$238,338,000; and swine increased \$599,378,000.

The total value on January 1, 1918, of all animals enumerated above was \$8,263,524,000, as compared with \$6,735,612,000, on January 1, 1917, an increase of \$1,527,912,000, or 22.7 per cent.

The increase of 4.5 per cent in numbers of all "other cattle" is due to an increase of 4.2 per cent in calves; 22.7 per cent in heifers for milk; 8.5 per cent in other heifers; a decrease of 3.2 per cent in steers, and an increase of 1.9 per cent in other cattle (milch cows not included). Swine over six months old increased 4.5 per cent; those under six months increased 7.8 per cent.

LEON M. ESTABROOK,
Chief of Bureau.

NAT C. MURRAY,
G. K. HOLMES,
FRANK ANDREWS,
S. A. JONES,
Crop Reporting Board.

Approved:

CARL VROOMAN,
Acting Secretary.

Mr. COTTON. I think that those are Department of Agriculture figures. You are in general familiar with the method of making them.

The CHAIRMAN. Would you give that as to hogs and cattle, please?

Mr. COTTON. According to that statement, milch cows are 23,284,000 on January 1, 1918, as against 22,894,000.

Other cattle are 43,546,000 on January 1, 1918, as against 41,689,000, as in 1917.

Sheep, 48,900,000, January 1, 1918, as against 47,616,000 in the preceding year.

Swine, 71,374,000, January 1, 1918, as against 67,503,000 the year before.

The CHAIRMAN. Right there, Mr. Cotton, there is a great deal of discrepancy. The Department of Agriculture estimated on September 1, 60,000,000 hogs, and the 1st of January, 71,000,000. Somebody referred the other day to that 11,000,000 as being "providential" hogs. That would not come under your control, would it?

Mr. COTTON. I only have to do with the killing and shipping of live hogs.

The CHAIRMAN. You have not made any investigation on your own account to see how that could happen, have you?

Mr. COTTON. I think these statistics I have given you are the only statistics there are on live stock in the country.

The CHAIRMAN. What I was trying to get at is how you would account for this sudden leap of 11,000,000 hogs from September to January, four months?

Mr. COTTON. The forces of the Department of Agriculture are enlarging. I assume that the present figures are more nearly accurate than any other. I have not any explanation of that discrepancy. Undoubtedly a great many more cattle came to the market last year than the year before, and less hogs. There is no doubt about that.

The CHAIRMAN. The number went up. But the point I had particularly in mind was this: This statement of September was 60,000,000.

Senator WADSWORTH. Mr. Chairman, what statement was that?

The CHAIRMAN. It was a statement, I think, issued by the Department of Agriculture.

Mr. COTTON. The Department of Agriculture made the statement that there was sixty-odd million stock hogs September 1.

The CHAIRMAN. Senator Wadsworth, this statement was made that that was 5,000,000 less than there were in the country on September 1, 1916, and then, on September 1, 1916, speaking from memory, there were 8,000,000 less than on September 1, 1915, being a falling off of a very considerable per cent in the hog supply of the country, and on that falling off the Department of Agriculture and the Food Administration both made their drive for increase of production, based on this low estimate and this falling off, which was, of course, alarming, and the estimate of the hog committee was that thirteen and three-tenths times the value of a bushel of corn would be allowed for a hundred pounds of live-weight hogs would be necessary to restore the hog production to normal and that fourteen and three-tenths would be necessary to get the increase that was desired.

What would you say about that, Mr. Cotton? The country, as I understand it, took that estimate of 60,000,000; they acted on the advice of the Government about stimulating production and fattened their hogs. They took that in good earnest and acted on it. The result which followed was that this 71,000,000 estimate and the failure to maintain the ratio was a falling off in production.

Mr. COTTON. There is not any quick method of answering that, Senator. There is, of course, a large number of hogs that were coming to the market last fall for slaughter that would have been in the ordinary case slaughtered which went back to the feeders again, which was new. But there is no answer to the state of facts you put in the sense that I can lay my hands on the hogs. You understand, all of these matters are matters of estimate; that you are not dealing in any of these estimates with precise figures until you come to figures of slaughter. There you get precise ground.

Senator NORRIS. Mr. Cotton, in relation to that hog increase from January 1, 1917 to January 1, 1918, can you give the committee any information as to the weight of the hogs? Your statistics would apply only to the number?

Mr. COTTON. Those statistics apply to the number, but I have independent statistics from the actual stockyards operations. The hogs coming to this market at this period are, roughly, 30 to 40 pounds heavier than they were a year ago, or than was usual.

Senator NORRIS. You mean that the hogs in January, 1918, were heavier hogs than the January, 1917, hogs?

Mr. COTTON. If you will make it March and February—

Senator NORRIS (interposing). I used January because you used that as to the date you gave the numbers.

Mr. COTTON. In January that was not true, but in February and March it was true; it was not so much in January.

Senator NORRIS. I have been told that the hogs in January, 1917, while the statistics show they were less in number than in January, 1918, that they would probably weigh more pounds.

Mr. COTTON. That is broadly true, without any question.

Senator NORRIS. In 1917?

Mr. COTTON. In 1917.

Senator NORRIS. 1917 and 1918?

Mr. COTTON. Oh, no. They weigh much more in 1918; and that difference in weight, as I say, in February and March, has got up to 30 or 40 pounds. For instance, the February figures, as I recall them, were 30 pounds, and now it is still higher.

Senator NORRIS. If that be true, the increase of that many more pounds would be equivalent to an increase in numbers?

Mr. COTTON. Obviously, and from a national point of view and a shipping point of view, it is just as good to have hogs 10 per cent heavier as it is to have 10 per cent more hogs.

Senator NORRIS. Oh, yes.

The CHAIRMAN. Is that true, Mr. Cotton, from a producer's standpoint?

Mr. COTTON. Yes; pretty nearly; not as to every producer.

The CHAIRMAN. They claim these heavily fattened hogs are being discriminated against now.

Mr. COTTON. That we spoke of yesterday. It is quite true that the light hogs to-day bring the higher price, but the answer is there are almost no light hogs. There are few light hogs; the great mass of the hogs are heavy; that must be so, or there could not be any such gain of averages as 30 or 40 pounds.

The CHAIRMAN. With reference to these heavy hogs that you are referring to now, there are three causes that affect that condition. One is that a good many feeders acted on the advice of the Government to fatten very heavily; another is the shortage of cars and the fact that they could not move the hogs to the markets when they were really finished, but had to keep on feeding them.

Mr. COTTON. There is a third cause that also operated—

The CHAIRMAN. There is another cause, and I would like to mention that, which is their having marketed a great many head of brood sows.

Mr. COTTON. No; I would not be inclined to think that was correct. Nobody can speak with absolute authority on these things, but the figures of marketing show something. The most precise figure is the dockage for piggy sows, and that shows no particular increase—some increase. Another cause which should be considered in addition to that is the immense quantity of soft corn in the country which could come to market practically only in the shape of hogs and cattle.

The CHAIRMAN. That adds to the shortage of cars and accounts for a great deal of it?

Mr. COTTON. With those things you have the picture, I think.

The CHAIRMAN. I have two statements on which I based that statement about the heavy sows: One is from Mr. Stull, of Omaha, who stated that there were more hogs marketed in the Omaha market than in any month in the history of the yards; that, notwithstanding the increased number of hogs, the weight of the whole market was heavy—averaged out heavy. He stated that was due to the heavy sows.

The other basis on which I founded my remark was a statement which has been made here that in my State they made a survey of the hog situation through the county assessors and they found a falling off in the number of hogs in the State of about 25 per cent—that is, there were found to be about seven sows for nine farms—and the witness further said he had taken an inventory of the hogs in the Oklahoma City yards and had found many sows which have not yet dried up.

Senator NORRIS. I want to ask you, Mr. Cotton, if that does not explain the apparent discrepancy between the figures given by your department and the testimony of men who claim that the sows are being marketed in a piggy condition?

Mr. COTTON. This evidence comes from the dockage on account of piggy sows when hogs are sold in the market.

Senator NORRIS. If they were not piggy, the records of your department would not show anything about it, would they?

Mr. COTTON. No; I do not think that evidence is final, but I do mean that if there were any great marketing of brood sows over the whole district you would be pretty sure to find it reflected in the dockage records. Of course it is not conclusive, but I mean it is a pretty safe place to look. You will find, however, that there is always in these or any other figures a big variance in the yard you are talking about; that is, you will get in districts which have difficulties with their feeds, and there you will find the piggy sows coming up, and that would be particularly true of the more western districts.

The CHAIRMAN. I have heard this explanation for the failure of an increased showing as to piggy sows: You know a sow has to be several weeks advanced before they dock them anything.

Mr. COTTON. Yes, sir.

The CHAIRMAN. I have understood the farmers were rushing to the markets sows that would be piggy before they had reached the point where they would be commercially docked as piggy.

Mr. COTTON. A sow would be pretty piggy by February. It is awfully hard to get a correct estimate. And I should say, speaking generally, that the Department of Agriculture's figures are better than the hunch that a man gets from a number of isolated instances of marketing of brood sows.

The CHAIRMAN. Even though that were true, the discrepancy of those 11,000,000 hogs has kind of shaken my faith in their figures.

Mr. COTTON. I think the way to treat those figures is not to treat them like real hogs, but to treat them as showing tendencies; and that is the main result one would draw from them.

The CHAIRMAN. You accept, in the main, the part of the figures showing that there were increases of sheep, hogs, and cattle January 1, 1918, as compared to January 1, 1917?

Mr. COTTON. An analysis of the cattle figures there on the face of them does not show that increase, particularly in the beef cattle. It shows the increase in the milch cows and some other places. You would expect, I think, at a time like this and in war to begin to see a falling off of the live stock to some extent, anyway.

The CHAIRMAN. That has characterized other countries?

Mr. COTTON. And other wars, I think.

Senator GRONNA. Speaking of the increased weight of hogs, Mr. Cotton, you have reference, of course, to the whole country, or have you records from the different terminal markets?

Mr. COTTON. I am only speaking of that increased weight at the terminal markets. The minute you go outside the terminal markets in your figures of slaughter or weight, or anything like that, you are in a realm of guesswork.

Senator GRONNA. You have no reference to the terminal markets, such as St. Paul?

Mr. COTTON. I can refer right now to Chicago, which showed 30 pounds greater in February, and they tell me now it is 40 pounds.

Senator GRONNA. That is right in the corn country.

Mr. COTTON. It would be pretty typical.

Senator GRONNA. I think you would find, especially for the months of November and December—I would not say about January—that the shipment of hogs to such markets as St. Paul the weights were much lighter. A lot of immature hogs were shipped in there. I saw thousands of them when I visited the yards myself.

Mr. COTTON. And, yet, do not be misled on that, because a study of the weights shows a constant increase in weights in practically all the markets. Those immature hogs to an extent that has never happened before which went back to fatten. The figures of the hogs that came in lean and went out to the regions where they had feed is one of the most significant things of this winter's business, something that never happened before in any such volume. For one week, for instance, I found there were over 90,000 of such pigs ready to fatten went out from the central markets.

The CHAIRMAN. Did you have the same figures for the preceding year?

Mr. COTTON. Yes.

The CHAIRMAN. What was the result?

Mr. COTTON. Practically none the year before and 90,000 for one week at the end of last year.

The CHAIRMAN. There was an effort made by the Department of Agriculture and the Food Administration to increase the production of hogs?

Mr. COTTON. There was a very distinct drive under the authority of the Department of Agriculture.

The CHAIRMAN. And you issued a statement encouraging an increased production of hogs?

Mr. COTTON. We might very well have done that. We wanted the hogs. But it was the Department of Agriculture's business.

The CHAIRMAN. That was on the 3d of November?

Mr. COTTON. I have certainly told my people that.

The CHAIRMAN. I would like to have that statement read.

(Mr. Thompson, the clerk of the committee, thereupon read as follows:)

UNITED STATES FOOD ADMINISTRATION,
MEAT DIVISION,
Chicago, November 3, 1917.

Joseph P. Cotton, Chief of the United States Food Administration Meat Division, to-day issued the following statement relative to the price of hogs:

The main purposes of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs, so that it will be profitable to him; to see that the farmer increases the number of hogs bred; to limit the profit of the packer and the middleman; and to eliminate speculation.

All these purposes are necessary, because we must have more hogs, so that the ultimate consumer shall at all times get an adequate supply of hogs at the lowest feasible price.

We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the allies, our Army and Navy, the Red Cross, the Belgian relief, and the neutrals, which together constitute a considerable factor in the market.

The first step is to stop the sudden break in prices paid for hogs at the central markets. These prices must become stable, so that the farmer knows where he stands and will feel justified in increasing hogs for next winter. The prices, so far as we can affect them, will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice.

We have had and shall have the advice of a board composed of practical hog growers and experts. That board advises that the best yardstick to measure the cost of production of the hog is the cost of corn. That board further advises that the ratio of corn price to hog price on the average over a series of years has been about 12 to 1 (or a little less). In the past, when the ratio has been lower than 12 to 1, the stock of hogs in the country has decreased. When it was higher than 12, the hogs have increased. The board has given its judgment that to bring the stock of hogs back to normal under present conditions the ratio should be about 13. Therefore, as to the hogs farrowed next spring, we will try to stabilize the price so that the farmers can count on getting for each 100 pounds of hog ready for market thirteen times the average cost per bushel of the corn fed into the hogs.

Let there be no misunderstanding of this statement. It is not a guaranty backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration, which means to do justice to the farmer.

Mr. COTTON. No doubt that is my statement.

The CHAIRMAN. Yes; you commented on the latter part of it yesterday. Have you made any investigations to ascertain whether the farmers engaged in feeding hogs this last season have been realizing profits or costs?

Mr. COTTON. Oh, yes. I have been constantly seeing farmers' cost sheets and watching farm prices.

The CHAIRMAN. Have you accepted the ratio—I believe you did last fall, as I remember—that 13 to 1 was about reasonable?

Mr. COTTON. Oh, no; that is very much more than a reasonable ratio.

The CHAIRMAN. The reason I asked you that is I understood you had insisted on that ratio as a fair one.

Mr. COTTON. Oh, no. Why, that ratio, I should think it would show, as to the hog committee's advice, a very handsome return to the farmer, a stimulative return.

The CHAIRMAN. I believe the stimulative return up to November was 13.3.

Mr. COTTON. No; I would prefer to refer to the report on that. I think you are wrong.

The CHAIRMAN. Have you it there?

Mr. COTTON. I have it here.

The CHAIRMAN. As I remember, their statement was that 11.67 times a bushel of corn per 100 pounds of live-weight hogs was cost—the statement by Wallace Everhard.

Mr. COTTON. The commission finds that the approximately equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live

hogs under average farm conditions. While hog production for the 10 years ending 1916 has been maintained at a ratio of 11.67 corn to 100 pounds of hogs, we believe that when all the lists are taken into account it is doubtful whether there has been a profit on hogs on this ratio on the average.

The CHAIRMAN. I think you will find that their recommendation was that 13.1 would restore the production to normal and 14.3 would raise it to the desired increase.

Mr. COTTON. I think that is their finding.

Senator GRONNA. But that ratio is based upon a certain grade of corn.

Mr. COTTON. No. 2 corn.

Senator GRONNA. Now, has the fact that we have been having a lot of soft corn been taken into consideration this year? Of course, the only corn that has been sold and fed, practically, I suppose, has been soft corn.

Mr. COTTON. The actual corn that has gone into the hog has been soft corn.

Senator GRONNA. I understand that corn has been sold on the market containing as high as 40 per cent moisture.

Mr. COTTON. Oh, all sorts of corn have been marketed.

Senator GRONNA. That would mean, of course, that it would require more bushels, and if you base your figures on that soft corn and the price that is paid for that soft corn, it seems to me that injustice might be done to the producer in that way.

Mr. COTTON. The feeding value of the soft corn is much less than the feeding value of the hard corn, of course. But if you read that report as a whole you will also see what that committee recommended was a minimum be held of \$16 for the present crop, they recognizing quite well that nobody could attempt to put the 13 ratio in force at once, and they recommended the minimum of \$16 to be put on for that meat period.

The CHAIRMAN. Up to February 1?

Mr. COTTON. I do not remember their limit about that. May be you are right, though.

The CHAIRMAN. The evidence before the committee, Mr. Cotton, and the other evidence that I have had, indicates that those who have been fattening hogs this winter have been taking a loss on them.

Mr. COTTON. You have heard a good deal of that. There are a lot of people pretty well satisfied with hog prices.

Senator PAGE. In Oklahoma they claim they have even been obliged to use wheat for feeding hogs.

Mr. COTTON. I do not suppose there has been an enormous amount of wheat feeding. There is a general feeling that it is wrong to feed wheat, and I do not think there has been an awful lot of it done.

Senator PAGE. Some representative for Oklahoma was here and made the statement that the Oklahoma farmers could better use their wheat for feeding hogs than to sell their wheat and feed corn.

The CHAIRMAN. They could not get as much for their wheat as they had to pay for corn during a part of the time.

Senator GRONNA. You think that is very small in amount, do you not, Mr. Cotton?

Mr. COTTON. I really do. It is very sad if it should happen at all. But it is small in amount.

The CHAIRMAN. The Council of National Defense for Oklahoma estimated that there have been 30,000 bushels a day fed.

Senator NORRIS. That feeding of wheat has not been confined to Oklahoma, but has existed over the country.

Mr. COTTON. It is just one of those things—you hear rumors everywhere about it.

Senator NORRIS. Senator Wadsworth has some information about it, I think.

The CHAIRMAN. Mr. Cotton, if it takes twelve times the price of a bushel of corn to make 100 pounds of pork, how are they making money, when they have been paying as high as \$1.60 and \$2 for corn?

Mr. COTTON. The bulk of the farmers' corn which has been put into hogs has not been \$1.80 corn, or anything like it.

Senator PAGE. About what has it been?

Mr. COTTON. Those figures are hard to tell with accuracy. The Department of Agriculture reports for January, I think, something in the neighborhood of \$1.35.

Senator GRONNA. What market?

Mr. COTTON. That is the general average. I suppose that means railroad market. You will find during all this winter the corn price on the Chicago

market a high one, up in the sort of figures we have been speaking of, which has been largely caused by the difficulties of transportation.

The CHAIRMAN. It has been higher out in Oklahoma and Kansas than it has in Chicago.

Mr. COTTON. Yes; and a great deal lower in other portions of the corn belt than Chicago.

The CHAIRMAN. I think there could not be any doubt that where a farmer raises a hog and raises his corn and feeds his own corn to his own hogs, possibly, by allowing no overhead charges and no wages, and taking what he could get for the corn and hogs, he would have money when he sold the hogs.

Mr. COTTON. That is a pretty moderate statement. I take it that there is no question that the corn farmer who could market his corn got a perfectly good price this winter; that would be by my judgment. And the marketing of that corn through the live stock has not been as advantageous to him as marketing it through sales to the terminal markets.

The CHAIRMAN. That is the point.

Mr. COTTON. That is true also.

Senator PAGE. Is there not an advantage in feeding their corn to the hogs in order to keep up the fertility of the farm, even though they were getting a little less price in that way? I know that is so in the East.

Mr. COTTON. A great portion of the corn must be marketed in the shape of live stock. I mean the commercial corn that comes to the market is relatively a very small per cent of the total corn.

Senator PAGE. They do not feel the need of keeping up the quality of the soil in Oklahoma as we do in Vermont. In Vermont we have got to do it, or our farms will soon become unproductive.

The CHAIRMAN. In Oklahoma they do not yet.

Mr. COTTON. Not yet. I think that is a sound answer. The real stimulant is keep up your minimum price. That is the way to stimulate. The production committee recommended a stimulative ratio—they said 13.3, or something like that, and I discounted it and said 13 flat. But that does not go into effect at all, according to that statement, except for the hogs farrowed in the spring.

The CHAIRMAN. Is it your intention to try to maintain that ratio?

Mr. COTTON. Now?

The CHAIRMAN. Yes.

Mr. COTTON. I had not thought of it, sir. You mean to-morrow, we will say, or the next day?

The CHAIRMAN. I mean for the hogs farrowed this spring.

Mr. COTTON. Sure; that is what I said. Whether I can do it or not is another question. But certainly that statement is as flat as I could make it.

The CHAIRMAN. Have you worked out any plan by which you intend to try to do that?

Mr. COTTON. What I intend to do, as far as I have any influence, is to put that buying at a figure that will reach that result on the whole. That does not indicate, nor did I think of trying to make that a promissory note to the individual farmer in every community. There is no such inference, I think, from the statement.

Senator PAGE. Mr. Cotton, are you conscious that in your own adjustment of these matters you are not trying a little more to help the allies across the water than you are to help the farmer who produces?

Mr. COTTON. I am conscious of this, very clearly—and if I am wrong I want to be corrected—my first job is to get meat abroad; that has got to go, whoever is hurt. The second job is, so far as I am able, to affect that market by the price I pay. When I say "I" it is not I, but the department. I mean to live up to the promise to that producer, and I do not agree that the hog prices have not been, on the whole, pretty good. I think the hog prices have not been bad this winter.

The CHAIRMAN. There has been very little profit.

Senator PAGE. We have had individual after individual who has come from the West, who insists that in some way or other this matter is working out so that the farmer is being injured, and unduly injured, by the arbitrary fixing of prices by yourself and those connected with you.

Mr. COTTON. In the first place, may I stamp on that right now that there has been no arbitrary fixing of live-stock prices? I do not mean to do it; I do not want to do it; and I hope neither I nor anybody else will ever be put in the position to the packer to say, "Pay this"; because the day I get in that position, that is the day when we become entirely responsible for this live-stock market.

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Senator GRONNA. Mr. Cotton, how has it been possible to maintain a price of \$15.50? Has that been done by certain regulations prescribing what weight hogs or what weight cattle must be bought? You certainly have accomplished that result.

Mr. COTTON. It certainly has not. The packers would not agree to that statement. So, they being unwilling to agree to it, I made it. Now, I said to them, "That is my statement and that is my policy. I am going to put in all the buying orders I can give to support that statement, so that you will be in a position to pay that money." And so far not only has that been done, but that has not been a maximum, but has been really a minimum. Hence, we find, for instance, the hogs from \$17 to \$17.65 on the Chicago base market.

The CHAIRMAN. You state, Mr. Cotton, as your first purpose, to keep the meat moving to the allies.

Mr. COTTON. Yes, sir; that is my first purpose.

The CHAIRMAN. Of course, you have got to maintain the supply. The object of first concern would be to maintain production, and unless you maintain production you would be cutting down the tree that bore the fruit.

Mr. COTTON. Any policy that does not maintain production—not necessarily to a present standard, but to a wise standard—because you must expect some falling off, and you will get it whether you expect it or not; and any policy which does not look to maintaining production is, of course, a foolish policy.

Senator GRONNA. It is fatal; it is more than foolish.

Mr. COTTON. It is anything you want to call it. It is as bad as it can be.

The CHAIRMAN. Isolated instances would not count. But I have a communication from a man who raised hogs who had lost 40 cents a bushel——

Mr. COTTON. Wait just a minute——

The CHAIRMAN. Please wait until I finish my statement, and then you can comment upon it.

Mr. COTTON. Beg your pardon.

The CHAIRMAN. Another statement is that upon his hogs he had lost \$100 on the corn fed into them. Another man from Omaha, a broker there and who takes a great deal of interest in the business and who has been a very close observer, writes me that with hogs selling for what they are worth to-day he has received \$4 less a hundred pounds than the hogs would cost to put on the hundred pounds of weight, as corn was quoted that day in Omaha. Of course, these two farmers who wrote me I did not attach so much importance to their statements, because a hundred factors would affect that; but this statement from Omaha of the average loss based on the quotation of hogs that day and the quotation of corn that day, with so many quotations from farmers, however isolated, led me to think that maybe a good many farmers were losing money on hogs.

Mr. COTTON. You will find, of course, people losing money. I should have said that the prices on hogs were remunerative during the past winter, and I should think that is right. If you mean has the farmer been able to obtain through the marketing of the hogs the same price for his corn which he would have gotten if he could have gotten it to the terminal market, I am with you without a minute's reflection. He has not.

The CHAIRMAN. Then that has been a losing operation?

Mr. COTTON. No; it does not follow to that conclusion for one moment.

The CHAIRMAN. He may have made a profit, but he could have made a higher profit, so he was losing the margin of profit, whatever it was.

Mr. COTTON. With that I quite agree. Not many of the farmers have been able to market through their hogs the corn at the same prices indicated by the terminal market for corn at the same time.

The CHAIRMAN. Have you some of the cost sheets with you that you referred to a while ago, showing the profits on hogs at current prices?

Mr. COTTON. I have not, sir. For instance, the various people who have been before me—many of them—left their cost sheets with me for analysis.

Senator PAGE. Speaking broadly, can you say that, in your judgment the manipulation, if there may be anything of that kind spoken of, would keep the packer where he has not received an undue profit?

Mr. COTTON. Oh, no; I do not think so.

Senator PAGE. He has not?

The CHAIRMAN. Do you attribute the increased supply of hogs estimated by the department due in part to the drive by the Government to increase production and partly to remunerative prices?

Mr. COTTON. I do not think any individual judgment on that is of great value. The prominent cause of the increased weight of hogs has been transportation and soft corn. But the farmer has undoubtedly been influenced—nobody can say what percentages or amounts—by the feeling that it was a patriotic thing to produce the hogs. I have not any question about that.

The CHAIRMAN. There can not be any doubt about that. And, of course, as long as he can come out even he will do it. But he can not do that at a loss and continue to do it any more than he can live in a vacuum.

Mr. COTTON. He certainly can not.

The CHAIRMAN. But there has been, according to your conclusion, an increase in the number of hogs in the country?

Mr. COTTON. I know there has been an increase in the weight and number of hogs coming to the markets. That I know. And these figures, as far as the estimates of those best qualified to judge show anything, on the whole there is an increase in live stock in the country.

The CHAIRMAN. What was the reason, then, for these porkless days, if there are more hogs in the country, and more hogs and heavier hogs coming to the market than we need for ourselves and the allies? Why cut down the demand by porkless days?

Mr. COTTON. In the first place, Senators, you are asking me questions where I am not the arbiter. I came in here on the 1st of November. But if you do not mind, I would like to state about it: The porkless day has resulted in a perfectly clear piling up of more pork for export than usual. The demands of the allied nations in the future and at the present time are so great that they can only be fulfilled if there is less consumption in the United States.

Senator PAGE. You are speaking of pork now?

Mr. COTTON. I am speaking of pork. The porkless day has had a pretty clear result, I think. It means that those better able to afford it abstain from the use of pork, whereas any conservation reached in any other method is much more likely to fall on those less able to bear it, and that is those who need it more.

At the present time the allies need all the pork they can get, and the limiting factor is transportation, speaking broadly; and to meet that war need we should, as a national policy, I think, keep our surplus of those products as high as we can so that we can ship as their need is.

The CHAIRMAN. You think that the increase in the number of hogs and the increase in the weight of the hogs would not be sufficient to maintain the required supply?

Mr. COTTON. I hope they will; I think we must be on the safe side.

The CHAIRMAN. That, if I understand you, is your justification for the porkless day?

Mr. COTTON. As I have stated; yes. Of course, there is beyond that, sir, a very great effect, and I think a good effect, on the nation from the porkless day; that is, that it is a symbol of the national need of saving, of the wisdom of saving and of the necessity of saving if the expenses of the war are to be paid, as they must be paid, from current earnings of the people, and by expense of the war, I mean the export, to the allied nations, as well as the direct governmental expenses.

The CHAIRMAN. The porkless day has been abandoned, has it not?

Mr. COTTON. I did not know it, sir.

Senator PAGE. I know it has not. I went in last night to the Shoreham and asked for a mess of pigs' feet, and they said, "We can not give it to you. We have got it, but can not serve you, because it is a porkless day."

The CHAIRMAN. As I understand it, yesterday was the meatless day, which applies to all meats, but there was a porkless Saturday.

Mr. COTTON. That has been abandoned and relaxed, simply because—here, again, do not treat me as the decider of these things—but the reason of that is that the success of the policy of conservation, plus the increase of production, has brought the supply to a state when further and complete methods of restriction are no longer essential for keeping us in safe condition.

The CHAIRMAN. Have not those two factors reacted on the price of hogs in the producers' hands? You say reduced demand resulted from conservation. If there is reduced demand, of course, a fixed supply would be less in value?

Mr. COTTON. Any reduced demand must operate the way you say.

The CHAIRMAN. It is not as estimated—of course, this is the entire policy—that the meat consumption has been reduced about 25 per cent, taking the country as a whole?

Mr. COTTON. On that, there again, we are getting into difficult range of calculation.

The CHAIRMAN. Of course it is speculation.

Mr. COTTON. But here is the thing. You take the beef that comes into the central markets, and something happens to it. None of it is wasted; no substantial portion; it is eaten or stored, or it goes abroad. When you add up those factors you have the answer.

The CHAIRMAN. The stuff is in existence, but producer, when you cut as much as that off his demand, is not the price artificially interfered with?

Mr. COTTON. You are getting into a problem of a judgment—but I may not be quite clear in answering—any cessation of demand must operate to a decrease of price, particularly when you are dealing, as you are here, with a seasonal product like hogs, where the packer has got to store and carry a substantial amount of the product.

The CHAIRMAN. Some evidence has been introduced here in regard to speeches on wheatless and porkless days by Senator Colby and the president of Leland Stanford University, and some woman in Omaha. Senator Colby, amongst other things, said he did not know whether he would ever see another dead or starving baby, but that if any babies or soldiers starved that the death of the babies would be on the heads of the people listening to him if they did not cut out the pork; and they undertook immediately to organize the "Black Vigilantes" of 55,000 women agreeing to not eat any more pork during the war. That was a week before the order was revoked. Did you know they were making such flamboyant statements as that?

Mr. COTTON. I got a telegram from a man, saying that he thought they were making too radical statements just about that time. He asked me if I knew it.

Senator PAGE. Are you fully convinced of this regulation as to porkless days and meatless days? Has it worked out beneficially for all concerned?

Mr. COTTON. I, personally, do you mean?

Senator PAGE. Yes.

Mr. COTTON. Do not try to endow me with more than I am. I am handling a perfectly technical job; I am not the conservation agent. I should think that the porkless day was a necessary, wise conservation measure. Like any other measure, you must not carry it to too great an extent. If you start one of these things, the effect is cumulative. You must be wise and careful with it. But as to the wisdom, yes; as to its essential benefit I have no doubt.

Senator PAGE. The law of supply and demand would have resulted in a much higher price, do you think, for pork?

Mr. COTTON. A much more varied price and at times a higher price.

Senator PAGE. And would not the higher price have stimulated production on the part of the farmer, so that in six months from now the law of supply and demand, the economic law, would have properly regulated that?

Mr. COTTON. Of course we are in a realm now where no man can be sure. But I think the evil effect of a ragged market, such as you saw on pork and cattle last fall, is not stimulative; that is, for instance, by the consolidation of the foreign buying; if you will look at the price charts, you will find cattle prices and hog prices going right up, and those things work both ways. That high peak meant marketing all sorts of stuff. A crack afterwards meant afterwards that the farmers who were buying feeders on a very high market—and that is really the explanation partly of the many cases of loss on feeder cattle that they bought just at the peak. I wish you would look at the charts, because they are illuminating, and nothing could have saved those feeders excepting a progressive upward trend of the cattle market.

Senator GRONNA. Then, if I understand you, your idea was to force prices down to a certain minimum, and of course that would permit the feeder to make a profit, but how would that react on the producer, on the farmer who raised either the hogs or the cattle?

Mr. COTTON. You have grievously misunderstood me if you think I ever wanted to force those prices down to anything. I never, nor do I want to, but I do believe that as far as I can exercise that buying influence that will be for stabilizing the market.

Senator GRONNA. I agree with you perfectly. I do not think I misunderstood you. I do not mean to say you have fixed a specific price, but on yesterday you did say—at least I understood you to say—that you pooled all the allies' buying on beef, pork, and all these meat products.

Mr. COTTON. Quite right.

Senator GRONNA. And in getting a price, did you consider whether the farmer was getting the equity—that he was getting cost and that he was getting a profit?

Mr. COTTON. Yes, sir; I did. Take the hogs——

The CHAIRMAN (interposing). On hogs, cattle, and sheep?

Mr. COTTON. No; I never bought any sheep.

Senator GRONNA. If it should turn out that we would have proof before this committee that men producing and feeding sheep, hogs, and cattle have lost all the way from \$1 to \$60 per head, would you not consider that a ruinous policy to production?

Mr. COTTON. Broadly, yes.

Senator GRONNA. Those facts have been stated; those statements have been made to this committee as being facts, Mr. Cotton.

Mr. COTTON. The last thing I want is to fight on that. But, for instance, with respect to sheep I have no buying power. There is nowhere in the Government a buying power or a price-fixing power.

The CHAIRMAN. But there seems to be a power somewhere to put lamb and mutton on the blacklist.

Mr. COTTON. On the what?

The CHAIRMAN. On the blacklist.

Senator PAGE. They are not included to-day in the meatless day.

Mr. COTTON. No; they are not. They were.

The CHAIRMAN. They are not, but they were.

Mr. COTTON. They were; and, broadly speaking, the reason why they were taken off was because of this complaint, of course.

The CHAIRMAN. They were put on, I suppose, to conserve?

Mr. COTTON. To conserve?

The CHAIRMAN. Yes.

Mr. COTTON. Not to conserve mutton, I should think.

The CHAIRMAN. On lamb?

Mr. COTTON. Not so as to get a surplus of mutton to save.

The CHAIRMAN. Not for shipment abroad?

Mr. COTTON. Not for shipment abroad, but to save the meat supply as a whole.

The CHAIRMAN. At home. Well, that reacted on the price.

Mr. COTTON. Somewhat, without doubt.

Senator GRONNA. That seems to be very difficult for us to agree on. But can we not agree on this proposition; that nothing will stimulate production as much as profit?

Mr. COTTON. Absolutely.

Senator GRONNA. I am glad we can agree on one thing. Is it not just as important, then, that the question of profit should be taken into consideration so far as it affects the producer as the question of profit with these middlemen—call them "packers," or anything you please?

Mr. COTTON. Very much more important, because the middleman can not get it.

Senator GRONNA. Would you say, Mr. Cotton, it is your judgment that the farmer has made a profit of 9 per cent, or 15 per cent, such as you allow the packers?

Mr. COTTON. Would I say that?

Senator GRONNA. Yes.

Mr. COTTON. I would not be able to answer that yes or no, but I think I could be quite clear. The feeder of cattle in the corn belt, I should say, right off, no; that he has not only not made, he has lost.

The CHAIRMAN. He has taken a loss?

Mr. COTTON. Surely. I mean, I do not think one can have two minds on that. And the feeder of sheep, as far as I have an impression, has lost. The producers, as opposed to the feeders of cattle and sheep, I have no indication whatever of any loss or their not being able to conduct their business at a reasonable profit.

Senator GRONNA. Will you say they have made a profit?

Mr. COTTON. Will I say they have made it?

Senator GRONNA. Yes.

Mr. COTTON. I am not able to say that categorically.

Senator GRONNA. Why should you not be able to know something about that, just as well as you are able to find out whether the packer is making or losing money?

Mr. COTTON. I am not trying to fence. I am trying to be as precise as I can, because it is a question which is in the nature of it enormously more difficult of determination, and because the producers vary so much in locality, in ability, in

advantage, because of the different kinds of methods and feeds that they produce, that the answer to it is essentially a much more difficult matter. But I think, as far as I have been able to form a conclusion, that the producers of the cattle have made a profit. It would be idle for me to say it is 9 per cent, or anything else, because I could not back it up.

The CHAIRMAN. Let me get you clear. I did not understand you to say that a minute ago. I understood you to say a minute ago that the producer of cattle and sheep had been making a loss, but the feeders had been taking a profit.

Mr. COTTON. Just the other way. I do not think it is open to doubt that the feeders have taken a loss. But in the hog it is a closer question. The hog man has gotten during the winter the minimum and more than the minimum that was originally asked. The question of whether he has made a real profit or not—which is likewise always difficult—has become more difficult because of the erratic prices of the grains at the central markets. I do not think that the ordinary hog man has done badly; that he has made a profit, I am not sure. For instance, this will answer you somewhat: Up to a month ago the hog man was more or less content. The hog prices in November and December were generally regarded as satisfactory. Nothing has changed since that time excepting the price of corn at the terminals, and the price of corn in districts such as Kansas and Nebraska has tended always to go up. But buyers of those feeders were not all buying corn every day. If you can take a man who did nothing but take hogs and corn and put them together at the market prices at the terminal markets during the winter, I do not think he would show 9 per cent profit. Does that answer your question?

Senator GRONNA. Yes; I think it does.

The CHAIRMAN. My attention has just been called by the secretary of agriculture of my State to the hog situation there. I will ask the clerk to read.

Mr. THOMPSON. From the Oklahoma State Register, published at Guthrie, Okla., Thursday, March 14, 1918 (reading):

"TOO WIDE MARGIN BETWEEN THE PRICES OF PORK AND HOGS.

"OKLAHOMA CITY, OKLA., March 8.

"The difference between the price of hogs and the price of production is a matter that is being considered seriously by the farmers, says S. M. McCuiston, county agent of Osage County, writing to Frank Gault, president of the State board of agriculture. Unless the producer has a good range, which is not probable at this time, says the county agent, no profit can be made at the present prices of corn and pork. The meat retails in Osage County at 35 cents to 40 cents a pound, while the farmer gets 15 cents a pound for his hogs. The farmer must sell 2½ pounds of pork now to purchase 1 pound of the substitute he is asked to buy. The result is he is not doing it, because he can not."

The CHAIRMAN. I merely wanted to have that read in connection with a number of similar reports I have had from the State. Mr. Cotton, on the matter of the feeders losing I rather think there is no doubt.

Mr. COTTON. Cattle feeders have been losing; I think there is no doubt of that.

The CHAIRMAN. And the meatless days, to some extent, have been responsible for that?

Mr. COTTON. I suppose it has had that effect, somewhat.

The CHAIRMAN. If it has cut down the demand?

Mr. COTTON. I think anything that cuts down the demand affects the price.

The CHAIRMAN. And if it cuts it down anything like 25 per cent it would be a very serious factor in bringing about that result, would it not?

Mr. COTTON. Yes; but may I say something about that? When you talk about cutting down the demand, if it had cut it down by 25 per cent, then there would be a lot of meat which has not been eaten. That has not been so, I think. The meat has been eaten.

The CHAIRMAN. They ate more during the meat meals, did they?

Mr. COTTON. Here are more cattle coming to market. They have been eaten, shipped, or put in storage. The only result you can draw from that is that more has been eaten. This voluntary conservation operates on a relatively small proportion of the community, and, as a matter of fact, the rest of them are thinking more—

The CHAIRMAN (interposing). I am proceeding on Mr. Swift's statements that it cut down the demand 25 per cent, and I think Mr. Swift estimated 30

per cent. If the demand has gone down, I suppose the consumption has gone down.

Mr. COTTON. And yet you must realize that that is not true, because more beef has been consumed.

Senator WADSWORTH. My recollection is that the statement was not made in just that form; and the statement, furthermore, was somewhat in the nature of hearsay, but it was to the effect that the demand for live cattle has decreased 30 per cent.

Mr. COTTON. Yes.

The CHAIRMAN. There was greater demand falling off for heavy cattle, heavy hogs, and sheep, and the leaner stuff was in greater requisition.

Senator WADSWORTH. If the demand for beef had fallen off 30 per cent on the average, all kinds of cattle would be selling in Chicago for around 6 or 7 cents a pound.

The CHAIRMAN. They are selling in Oklahoma for 7 cents; that is, the average for seven months has been less than 8 cents.

Senator WADSWORTH. That includes canners.

Mr. COTTON. There is no doubt that the prices of high-grade cattle have gone down.

Senator WADSWORTH. My understanding was that the statement applied to heavy beef—30 per cent shrinkage in demand.

Mr. COTTON. That might be true. But remember another thing: That that heavy beef, the place where you find heavy shrinkages in price and demand, is also the least economical grade of cattle to producer under any conditions, and, as near as can be, a war luxury that can not go on in its old form.

Senator NORRIS. Before Mr. Cotton gets away from meatless days: As I understand it, the object of the meatless days was to conserve the meat. But you state that since you have had the meatless days more beef has been eaten than before. If that is true, then it must have been a failure. It increased consumption rather than diminished it?

Mr. COTTON. No; that does not follow, sir, because here we have the supply stored up ready to send, which otherwise would not have been stored.

Senator NORRIS. I understood you to say there was more meat eaten.

Mr. COTTON. That is true.

Senator NORRIS. Then we have not conserved the meat?

Mr. COTTON. Yes; you have got a lot of hogs piled up around the packing houses ready to go.

Senator NORRIS. They are not packed up there if they have been eaten. The point I would like to have you elucidate is that if the meatless day has resulted in a larger consumption of meat, then it seems to me that the meatless days ought to be abolished at once, because we want to conserve the meat.

Mr. COTTON. There has come a larger production of cattle and of hogs.

Senator NORRIS. Not on account of the meatless days.

Mr. COTTON. No; for some other reasons.

Senator NORRIS. Yes.

Mr. COTTON. Coincident with that there has come increased consumption of beef, and yet, coincident with it, a greater saving than in another year, that saving being reflected in the results.

Senator NORRIS. The increased consumption has nothing to do, in your judgment, with the meatless day, then?

Mr. COTTON. No; I should think it did not come at all because of it—no casual relation.

Senator NORRIS. Right in that connection, what was the real object of a lambless day or muttonless day? As I understand it, we do not ship mutton to the allies.

Mr. COTTON. You are quite right in your understanding.

Senator NORRIS. And it seems to me that if that is true that when the American people quit eating mutton it must always drive the sheep feeder out of existence, and it would not be a wise policy to induce the American people, since we can not send mutton to the allies, to eat mutton instead of other meats, and thus conserve the other meats for the allies.

Mr. COTTON. You are substantially right on that, sir, I should think; that is, between the meats which are not exported and the meats which are exported, the meats which are not exported should be eaten.

The CHAIRMAN. Ought we not to encourage the substitution of lamb and mutton for pork and beef?

Mr. COTTON. Such has been the policy of the Food Administration so far as its advice has been given. If you ask me for the general fundamentals of it, it is that the meats are, broadly, substitutional; and if you just turn a meatless day into a mutton day you have gotten nowhere. That is the broad underlying policy of it.

Senator NORRIS. I do not quite see that yet. If we do not export the mutton and there is nobody to use it except our people, and we want to get an increased supply of hogs and beef to export, then I can see why we should stop eating hogs and beef; but it seems to me that as an inducement to the people to stop eating pork and beef we ought to ask them to eat mutton rather than to have two or three days a week when they can not eat any mutton or any lamb. I should think that would be practical conservation.

Mr. COTTON. In the first place, sir, that is what the Food Administration is asking—that is, the eating of mutton rather than of beef or pork. There is now no prohibition of mutton.

Senator NORRIS. I understand that. What was the object of issuing such an order in the first place?

Mr. COTTON. Simply this, that a voluntary restriction on meat which freed another meat—mutton—for consumption would not result or tend to result in a less consumption of meat as a whole; the idea being that if the mutton, for instance, is not included, the mutton supply, which is relatively small, would simply become the meat for the meatless day, and it would not result in any conservation. That is, the total amount of meat consumed would be as great as ever before.

Senator NORRIS. Yes; but you would be consuming a kind of meat that we do not want to conserve.

The CHAIRMAN. As I understand you, Mr. Cotton, you say the consumption of meat has been greater than ever?

Mr. COTTON. Yes, sir; that is my general statement as to beef.

The CHAIRMAN. Then having this symbol of a meatless day and the moral effect has not had anything to do with that at all?

Mr. COTTON. Oh, yes.

The CHAIRMAN. It has not gotten us anywhere, so far as conservation is concerned?

Mr. COTTON. Oh, yes; it has. You would not have the stock of pork you have in Chicago to-day unless you did it.

The CHAIRMAN. That is the point I was coming to. I stated here a while ago the packers had estimated the demand had gone down 35 per cent, and I understand you to say that could not be true; otherwise there would be an accumulation of the stuff.

Mr. COTTON. There is no such accumulation of anything like 25 per cent, but there is an accumulation of something in the total—I used the word "Chicago" broadly—which is a source of supply for export shipment.

The CHAIRMAN. And your theory is that notwithstanding there has been an increased consumption over the normal, there would have been a much greater increase but for these meatless days?

Mr. COTTON. Broadly, yes.

The CHAIRMAN. Then whatever has accumulated has, of course, subtracted that much from the active demand that would reflect itself in prices to the producer?

Mr. COTTON. Yes, sir.

Senator GRONNA. But if there has been an accumulation and just as much meat has been eaten, the accumulation must be because of a larger production?

Mr. COTTON. Of course, you can take that into consideration. That is, you could not have gotten the greater consumption and greater saving unless you had had a great deal greater production.

Senator NORRIS. Mr. Cotton, I am surprised that since we have had the meatless days there has been more meat consumed than when we did not have them. Is that strictly true?

Mr. COTTON. I think that is a sound statement as to beef—not, of course, on meatless days, but on the whole in spite of meatless days.

Senator NORRIS. Does that mean that the people do not obey the order?

Mr. COTTON. That is a rough way of putting it; yes.

Senator NORRIS. I, of course, have only a general viewpoint, because, like nearly everyone, I know only what happened in my immediate family and what my neighbors tell me; but I do not know of a case among all of my acquaint-

(Mr. Thompson, the clerk of the committee, thereupon read as follows:)

UNITED STATES FOOD ADMINISTRATION,
MEAT DIVISION,
Chicago, November 3, 1917.

Joseph P. Cotton, Chief of the United States Food Administration Meat Division, to-day issued the following statement relative to the price of hogs:

The main purposes of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs, so that it will be profitable to him; to see that the farmer increases the number of hogs bred; to limit the profit of the packer and the middleman; and to eliminate speculation.

All these purposes are necessary, because we must have more hogs, so that the ultimate consumer shall at all times get an adequate supply of hogs at the lowest feasible price.

We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the allies, our Army and Navy, the Red Cross, the Belgian relief, and the neutrals, which together constitute a considerable factor in the market.

The first step is to stop the sudden break in prices paid for hogs at the central markets. These prices must become stable, so that the farmer knows where he stands and will feel justified in increasing hogs for next winter. The prices, so far as we can affect them, will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice.

We have had and shall have the advice of a board composed of practical hog growers and experts. That board advises that the best yardstick to measure the cost of production of the hog is the cost of corn. That board further advises that the ratio of corn price to hog price on the average over a series of years has been about 12 to 1 (or a little less). In the past, when the ratio has been lower than 12 to 1, the stock of hogs in the country has decreased. When it was higher than 12, the hogs have increased. The board has given its judgment that to bring the stock of hogs back to normal under present conditions the ratio should be about 13. Therefore, as to the hogs farrowed next spring, we will try to stabilize the price so that the farmers can count on getting for each 100 pounds of hog ready for market thirteen times the average cost per bushel of the corn fed into the hogs.

Let there be no misunderstanding of this statement. It is not a guaranty backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration, which means to do justice to the farmer.

Mr. COTTON. No doubt that is my statement.

The CHAIRMAN. Yes; you commented on the latter part of it yesterday. Have you made any investigations to ascertain whether the farmers engaged in feeding hogs this last season have been realizing profits or costs?

Mr. COTTON. Oh, yes. I have been constantly seeing farmers' cost sheets and watching farm prices.

The CHAIRMAN. Have you accepted the ratio—I believe you did last fall, as I remember—that 13 to 1 was about reasonable?

Mr. COTTON. Oh, no; that is very much more than a reasonable ratio.

The CHAIRMAN. The reason I asked you that is I understood you had insisted on that ratio as a fair one.

Mr. COTTON. Oh, no. Why, that ratio, I should think it would show, as to the hog committee's advice, a very handsome return to the farmer, a stimulative return.

The CHAIRMAN. I believe the stimulative return up to November was 13.3.

Mr. COTTON. No; I would prefer to refer to the report on that. I think you are wrong.

The CHAIRMAN. Have you it there?

Mr. COTTON. I have it here.

The CHAIRMAN. As I remember, their statement was that 11.67 times a bushel of corn per 100 pounds of live-weight hogs was cost—the statement by Wallace Everhard.

Mr. COTTON. The commission finds that the approximately equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live

Senator WARREN. I was just going to ask you a question, Senator. Perhaps you have answered it. What effect does this system of meatless days have upon the consumption of wheat, if any? It takes about so much fire to make steam, and so much food to support a workingman; and bread is the staff of life, especially of the workingman. Now, if they eat less meat will they eat more wheat, and if so, in what proportion?

Mr. COTTON. Broadly, I think that is right; but you are getting into about as difficult a question as you can find. Undoubtedly those foods are somewhat substitutional.

Senator WARREN. I am not asking this question to embarrass anybody; but, on the other hand, I have been watching this very closely. I have watched it where, for instance, where we have a large number of men employed, and where, of course, they can not be denied either sugar or wheat or meat if they want it. You can deny one of them but not two or three. I have noticed that just in proportion as you cut down the meat you increase the consumption of wheat. I am not a wheat grower, except in a very small way, and not a very large meat grower; but it seems to me that if we have plenty of meat, and if its production is increasing, it might well be considered whether we would not save wheat in large percentage if we could relax still more the prohibition against beef. As to mutton, I understand that prohibition has been entirely removed until the middle of April?

Mr. COTTON. Yes.

Senator WARREN. Is it the intention to leave it open then?

Mr. COTTON. Again, I do not decide those questions. I should not expect it to go back, under the present market conditions.

Senator WARREN. Of course, the original error that the Food Administration made—which was perfectly natural, and which I think Mr. Hoover understands—was the prohibition of eating lamb.

Mr. COTTON. I would rather not comment on that.

Senator WARREN. Now, when you get to the middle of April you are coming, of course, to the birth of the new lambs, but you are pretty well over the season of fed lambs. It seems to me perfectly right, perhaps, to prohibit the eating of small lambs up to a few weeks old, but the growth of the lamb makes little strain upon the range if you can get your lamb to market as soon as it can be finished, which is from nine months to a year old.

Mr. COTTON. I can not dissent from that, sir.

Senator WARREN. You are not certain whether the prohibition will be removed?

Mr. COTTON. It is not for me to decide that.

Senator WARREN. I wish your people would keep in mind that the only thing you have to prevent under any circumstances is the killing of young lambs.

Mr. COTTON. There is no prohibition from the Food Administration now, I am sure, as to lambs of any kind.

As to the other matter, the question of the shifting of those conservations at the minute the crucial situation is the wheat situation. Mr. Hoover's relaxation on the meats was coincident with further prayers for greater conservation of the wheat, and broadly, of course, that has had some effect.

Senator WARREN. My own impression is that if you should entirely remove the prohibition on beef, leaving it, if you wish, on pork, you would save wheat.

The CHAIRMAN. In that connection I want to say that last spring and summer, when the food bill was under consideration, I looked into the experience in Great Britain, and according to my information they installed a meatless day there, and they kept books on the situation, and they found that the increased consumption of bread on the meatless day more than offset the decreased consumption of meat.

Senator WARREN. That is exactly my information from across the water.

The CHAIRMAN. They instituted a three-course meal at the hotels, and they found the people cut out the side dishes and ate meat and bread.

Senator WARREN. I presume the situation is a little more acute abroad than it is here.

Senator NORRIS. I think it ought to be in the record here that while the eat-no-lamb order is abolished and probably never will be enforced again, I believe the people generally, when that order was first issued, thought it would be a very wise thing, because people generally who are not acquainted with the raising of lambs for slaughter supposed it would be economy to let the lamb grow into a sheep. But when you study the question and learn that the lambs are bred for lambs and they are no good as sheep, and that there comes a time when the lamb is 9 months old or a year old—

Senator WARREN. They are sheep then.

Senator NORRIS. Well, when they are of no account unless you kill them, it would be a foolish thing to prevent people from eating lamb.

The CHAIRMAN. As I understand, it is more economical to eat lamb than to eat sheep.

Senator WARREN. Take a man who has, say, 10,000 sheep. He raises a crop of lambs, and, as the Senator from Nebraska has stated, if he is raising for the mutton market, he raises a coarse grade of wool rather than the fine merino. Now, when those lambs come, the wether lambs which will not breed, when they are about 5 months old, are put into this intensified feed, corn, alfalfa, and other feeds, and by the time they are 9 months old they are as large as they are ever going to be, or practically so. Now, the flockmaster keeps his ewes and brings his lambs against next year, until they get to wool. He realizes that if he sold his older ones and kept his lambs that they would have, the one part of them would only raise wool and the other would be 2 years old before they would ever have a lamb. So you exhaust your flock more slowly, and you exhaust your pasture and feeds more slowly and furnish more meat by using the so-called lambs.

The CHAIRMAN. When you get a lamb that fat, to keep it beyond that means a loss?

Senator WARREN. It means a loss every time, and it means the meat is not as good.

Senator NORRIS. And there will not be any more of it?

Senator WARREN. No.

Mr. COTTON. There is no doubt that is the economical time to market.

Senator WARREN. Mr. Chairman, I would like to say just one word, speaking of beef. The beef business wants to be handled carefully enough so that the producer all the time is being considered, for to-day the producer is figuring to get out from raising beef rather than to get in, on account of the profits he could make.

The CHAIRMAN. Yes, sir; we will go into that more fully in the morning, Senator Warren.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m. to-morrow, Thursday, March 21, 1918.)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., Thursday, March 21, 1918.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Page, Gronna, Norris, and Wadsworth.

The CHAIRMAN. The committee will come to order. Mr. Cotton, I want to read a couple of statements of cost of production or feeding that I want to call your attention to at this time. Of course, your admission yesterday that the feeders had been losing money will be reenforced by this, but I want to ask you some further questions in regard to it.

(The clerk to the committee read, from the statement of Mr. Edward F. Keefer, live-stock feeder and live-stock commission merchant, Union Stockyards, Chicago, Ill., before the committee on March 12, 1918, as follows:)

John Lipton, Milan, Ill., bought 20 steers on Chicago market October 9, 1917. Sold on Chicago market February 14, 1918. On full feed 120 days. Purchase weight, 1,240 pounds; purchase price, \$12.30 per hundred

weight:

Cost per head.....	\$152. 52
Expense getting them home.....	2. 50
Fed one-half bushel corn per head per day—60 bushels, at \$1 per bushel	60. 00
15 pounds hay per day, at \$25 per ton.....	22. 50
Ensilage per head.....	10. 00
Total cost per head.....	267. 52
Selling weight, 1,447 pounds; selling price, \$12.50 per hundredweight:	
Selling price per head.....	\$180. 87
Marketing expense.....	3. 00
	177. 87
Loss per head.....	89. 65

The CHAIRMAN. Mr. Keefer submitted several of those cost sheets, and Mr. Hudson submitted some. I want to read the first that Mr. Hudson submitted.

(The clerk to the committee then read an affidavit submitted by Mr. J. A. Hudson, live-stock feeder, Columbia, Mo., in his statement before the committee March 15, 1918, which is here printed in full, as follows:)

"J. M. Batterton, on his oath, states that he is a citizen of Boone County, Mo., is 58 years old, and has lived here all his life; has been engaged in general farming and raising and feeding stock; that a few years since he removed his family to Columbia to better educate his children, but that he has continued to operate his several farms; that he has for many years fed cattle for beef market; that he put 125 steers on feed about the 1st of November, bought as cheap as could be had. They were fed soft-corn silage and linseed-oil meal, and were sold about the 1st of February. Counting the soft corn fed at 50 cents a bushel, but counting nothing for labor or equipment, the cattle and hogs that run with them lost me \$4,350.

"J. M. BATTERTON.

"Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

"[SEAL.]

THOMAS K. CATRON,
"Notary Public."

The CHAIRMAN. Mr. Hudson submitted several more affidavits, but I will not trouble to read them all. As I understand your statement yesterday, you think that pretty generally the feeders have been losing money on cattle?

Mr. COTTON. The feeders?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think the feeders of cattle have lost money in the corn belt, particularly on the higher grades, especially the gentlemen who bought their feeders earlier. The earlier they bought then the more they lost.

The CHAIRMAN. Yes; this first man whose statement was read here bought at \$12.30, and finished cattle were then selling at something over \$17. So the spread justified his calculation.

Mr. COTTON. Yes, sir; the spread was very large at that time.

The CHAIRMAN. Is that due to the fact that the demand for the finished stuff has fallen off?

Mr. COTTON. I should think that was one of the reasons, a real and very important reason.

The CHAIRMAN. As I understood you yesterday, the allies do not call for the highly finished stuff?

Mr. COTTON. They have not, excepting as we have persuaded them within a short time to take a certain amount of the highly finished cattle.

The CHAIRMAN. They call for the lower-grade stuff, which accentuates the demand for the lower-grade stuff?

Mr. COTTON. They call for the lower-grade stuff, and I think that has to some extent accentuated the demand.

The CHAIRMAN. Now, do the industrial workers, whose increased wages have enabled them to eat more meat, call for the highly finished stuff or the lower-grade stuff?

Mr. COTTON. That is a question that is very hard to answer, but I suppose they do not call for the highest grade stuff, generally speaking.

The CHAIRMAN. Then it is the people who observe the meatless days who ordinarily call for the highly finished stuff, is it not?

Mr. COTTON. We are within the range of speculation, but I am inclined to think so; yes.

The CHAIRMAN. Then, the people who observe that order really reduce the demand for this particular kind of stuff that neither the allies nor the industrial workers want?

Mr. COTTON. May I say "Yes," and then add a statement?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think that is right, but I think this falling off in demand for the very highly finished stuff is something that comes anyway; is sure to come, and is not dependent primarily or largely on the meatless day.

The CHAIRMAN. Did the Government encourage feeders to finish very well?

Mr. COTTON. You say "the Government." I do not know. I know what I did. I did not get into this until October, and what a lot of people did before that I do not know. I do not think I did. I am pretty sure I did not.

The CHAIRMAN. Except as to hogs?

Mr. COTTON. Oh, yes; as to hogs. You have read what I said on hogs?

The CHAIRMAN. Yes, sir.

Mr. COTTON. There is a considerable difference. A highly-finished hog is still a pretty good vehicle for marketing corn. A hog keeps on taking on fat economically for quite a long while.

The CHAIRMAN. I believe your investigation of cost sheets did lead you to believe that the finishers of hogs have not suffered like the finishers of cattle?

Mr. COTTON. No; nothing like as much.

The CHAIRMAN. Or that they did not suffer at all?

Mr. COTTON. I did not say that they did not suffer. You will find them suffering in many places; you always do. What I mean to be understood as saying is that on the average, looking at it as a whole, I did not think the hog men had done very badly. They have not done so awfully well, not as well as last year, but I do not think they have done very badly.

The CHAIRMAN. Now, the Government has not been able to so influence the price on these finished cattle as to insure a profit to the dealer?

Mr. COTTON. So far as my division goes, I should say no; they have not.

The CHAIRMAN. I was wondering Mr. Cotton, whether, if you had held down the profits of the packers a little lower and let that retrenchment go to the feeders, that would not to some extent have relieved their situation?

Mr. COTTON. Whatever you take from one and give to another helps, but it is a drop in the bucket beside the losses of the feeders.

The CHAIRMAN. Well, I think that is probably true; but it would probably go to show that a man's heart is in the right place. I do not mean to say, of course, that anybody's is not. But the fact that the packers are realizing 9 per cent and 15 per cent when the feeders are selling at \$80 a head less than cost would not tend to cheer them up, and if the Government has any power to influence the prices they would naturally think it ought to be exercised at that point. In the statement of yours, which I read yesterday, you stated that your purchasing power—purchasing for the allies, the Red Cross, etc.—would give you the power to maintain prices to some extent—that is, you expressed that opinion, as I understand?

Mr. COTTON. In the future; yes.

The CHAIRMAN. Did you use that power to the utmost of your ability?

Mr. COTTON. Yes; practically I did on cattle. I used such power as I had to the best of my ability. Understand, however, I made no such statement as to cattle as I made about hogs—that the purchasing power was very much less—that, I think, was quite fairly well known, and that there was, so far as I know, no encouragement for high-fed stuff, certainly not officially from the division that I know about.

The CHAIRMAN. Did you make an effort—I believe you said you did—to induce the allies to take some of the more highly finished stuff?

Mr. COTTON. Yes, sir.

The CHAIRMAN. Did you, earlier in the season, in purchasing for the allies and for the Red Cross, make an effort to raise the price on cattle?

Mr. COTTON. Yes; one can not move very fast on this. I made this motion toward changing the allied orders considerably more than a month ago, and it is just coming through. You realize that buying is not done day by day; it can not be—that is, I tried that long before this matter came up.

The CHAIRMAN. I want to call your attention to a letter, written by Mr. Cudahy's man at Chicago to their representative in Omaha, regarding Mr. Durand's statement.

(The clerk to the committee read as follows:)

"Dr. Durand said that this thing would have to be handled in some way to avoid the advancing of the cattle market; that that was the thing that absolutely must not come about; and, if it did, he would take drastic measures to prevent it."

The CHAIRMAN. Of course, we realize, Mr. Cotton, that that is ex parte. Mr. Durand has not been heard on that statement; and we could not take it as final until he has had his day in court; but if that statement was made it was without authority from you?

Mr. COTTON. As a general statement, if that was made, it was made absolutely without authority.

The CHAIRMAN. It would be just contrary to what you stated to be the policy, would it not?

Mr. COTTON. As a general policy, it would.

The CHAIRMAN. Your effort has been to raise the price?

Mr. COTTON. No; my effort has been to pay a fair price where I ordered.

The CHAIRMAN. I mean the price of cattle, not meat. Your general policy has been to stimulate better prices for cattle?

Mr. COTTON. Wait a minute. I do not quite think I said that. What I think I said was that in my purchases, as far as I have had ability to control or fix them, I have tried to see that the prices paid were fair, and that as to cattle it has not been sufficient, by any means, to stop that tendency to lessen the spread.

The CHAIRMAN. Whether this statement was made or not, do you know whether the price of cattle was held at a level?

Mr. COTTON. I can easily tell. [Referring to charts.] What was the date of it?

The CHAIRMAN. January 17 the interview is alleged to have taken place.

Mr. COTTON. At that the price of cattle was more or less steady, slightly upward, but only very slightly. I mean, it has been very steady.

The CHAIRMAN. Do you know how soon that order was filled which was under discussion?

Mr. COTTON. It has probably been filled by all the packers now.

The CHAIRMAN. I suppose the contract was closed at that time?

Mr. COTTON. No; there was no contract at that time. I know what I was speaking of. He had there a British order which he could fill if he could get the stuff at a certain price. It was simply a question of whether he could fill it at the price or could not fill it. I know the situation at that time; he either filled it at that price or he could not fill it, one of the two.

The CHAIRMAN. The allies then fix the price themselves?

Mr. COTTON. No; they do not fix the price themselves, but neither do we. We have got to get together.

The CHAIRMAN. They say what they will pay?

Mr. COTTON. They say what they want and what they will take. You have to fill the ships and meet their desires. If something is high they come in and say, "We want milk," or "We want cheese," or they will turn to the cereals.

The CHAIRMAN. Then the allies, or the British, are the people who fix the price?

Mr. COTTON. No; it is a commission of all the allies. No price can be fixed unless they can be persuaded to take the stuff at that price.

The CHAIRMAN. And you figure they would not take it? Suppose our people would say, "We will not sell unless we can have something to say about the price;" do you think they would go somewhere else to get their supplies?

Mr. COTTON. Do I? I know they can not. That is, speaking broadly, this is the place where they must deal, and it has never come to an issue, so far as I know, between the allied buying commission and the American authorities, and therefore all prices have been assented to by the allied purchasing commission. There sometimes is grumbling, sometimes they say they can not, and then the orders stop. You see, an order never comes to us until it has passed the ministers of food on the other side and after they have gone to the treasury and got the money for it. They can only get the money for their requirements a short time in advance, month by month, and those orders do not come to me until they have been through all that machinery. Where the deciding power is has never been thrashed out; I mean, it has never come to a situation where they said, "We will not," or we said, "We will not."

The CHAIRMAN. I hope that situation will never come about. The point I had in my mind was that they could be led to appreciate the importance of keeping production going forward in this country; or, if the war is going to last any time, as it may, neither should they insist nor we consent to the production being broken down in this country.

Mr. COTTON. Of course that policy must be accepted; if they do not accept it to-day they must accept it to-morrow. It is inevitable.

The CHAIRMAN. Those are all the points I wanted to ask about at this particular juncture.

Senator NORRIS. I have several questions. First, I wanted to ask you, Mr. Cotton, about this so-called "no lamb" order. It has been revoked until the 15th of April?

Mr. COTTON. You mean the order about lamb on the meatless days?

Senator NORRIS. Yes.

Mr. COTTON. That was my understanding.

Senator NORRIS. Do you know what the intention is in regard to putting it in force again?

Mr. COTTON. No, sir; I do not handle matters of conservation, and I really know nothing about that. I, as the practical person there, make recommendations to the conservation authority.

Senator NORRIS. I have been thinking about it a great deal since yesterday, and I have heard these lamb people testify. I was very much impressed with what happened to them when they got their lambs fat. Now, I can see, and it seems to me—I may be wrong, and I want to be corrected, if I am—that it is almost due to the feeders of lambs that the Food Administration should say, if they can, whether they expect to have a “lambless” or “muttonless” day after the 15th of April, because it means a great deal, I take it, to the men who are going to feed lambs and breed lambs the coming season. If that is going to be done again as it was this year, or if they are not assured that it will not be done, will it not be done, will it not have a tendency to decrease the lamb product?

Mr. COTTON. Of course, if the lamb feeder can know in advance the Government's policy it will make it easier for him.

Senator NORRIS. Do you not think that, in justice to him, he ought to know that?

Mr. COTTON. He ought to know it just as soon as he can know it, consistent with the major policy on the war. You can not lay down fixed rules for this conservation or anything else, and say you are not going to change them, but there ought to be an effort to let the feeder know just as far in advance as you possibly can.

Senator NORRIS. I have gotten the idea—rather indirectly, probably; not from your testimony particularly, but from all the evidence—that the Food Administration itself rather reached the conclusion that it made a mistake when it issued that order. And it seems to me, for the purpose of getting as much meat next year as possible, if the Food Administration would say now, before the breeding season commences, that they are not going to put such an order into effect, it would have a tendency to increase the supply of lambs next fall to a great extent. If that could be done I think everybody would concede it would be a very wise thing to do. We want to increase the production if we can.

Mr. COTTON. What you say is entirely sound, and I do not differ with it much, but I want to put the other side of the shield before you. If you get a situation where, instead of ordering 30,000 tons a month, or something like that, the door to the allied sources of supply of meat other than the United States is shut, the demands on the United States for meat products will increase so much that there will have to be some way or other, by law or by conservation, or what not, drastic restrictions on consumption. The only trouble with making promises a long way in advance is that they have all got to be subject to that sort of thing, and the fewer promises you can make the better. I mean, the feeder is much better off if he has the promises, but you can not hope to put this industry or any other industry in a position where it can go along all right and somebody else carry on the war.

Senator NORRIS. Yes. But suppose that next year, the same as last year, the allies do not want any lamb?

Mr. COTTON. It might easily come to a condition where we might export mutton and lamb.

Senator NORRIS. It would be a mistake, would it not, to hold back on the theory that it might be necessary to have a no-lamb order issued again, running the risk all the time that you would not have any lambs with which to supply them? You had better have the lambs without an order than not to have the lambs with an order?

Mr. COTTON. There is no doubt about that, but I think we have two points of view. You have got to steer your course between those two points of view. I should think that the Food Administration—you realize, I never speak officially for it in these conservation matters—would go as far as it could in making statements, but it would be chary in making them and lean on the side of playing safe.

Senator NORRIS. Mr. Cotton, if that order is made, or any order, would you be consulted?

Mr. COTTON. I might. I should hope to be.

Senator NORRIS. Were you consulted when the former order was issued?

Mr. COTTON. I was consulted about the last one of them, and I was in favor of lifting that, simply because no man can look at these figures without realizing that the lamb feeders were having a hard time. Now, maybe they were not wise, maybe they ran their neck into the noose, but you can not be ruthless in situations like that.

Senator NORRIS. I think we have to concede—at least there is nothing in the evidence to cause me to form any different conclusion—that these lamb feeders were influenced largely, the same as all the rest of us, by a very patriotic desire to do their share, and they have lost money in their patriotic enthusiasm. Do you not think they were just as patriotic as any of the others?

Mr. COTTON. I should say, speaking generally, that the section from which those men come is more uniformly patriotic than most of the sections of the country—the stock is such—but how far patriotism influenced the feeders is, of course, a question of judgment. It was one of the factors.

Senator NORRIS. I do not say it was the only factor, of course.

The CHAIRMAN. You would think that 9 per cent would be good reenforcement, would you not?

Mr. COTTON. That is largely guesswork.

Senator NORRIS. If you can say anything for the record here that would be in any way encouraging to these people I would like to have you express yourself as freely as you can under the circumstances.

Mr. COTTON. It seems to me that expression is for another member of the division in which I am an assistant—not for myself.

The CHAIRMAN. Do you think Mr. Hoover ought to answer that question?

Mr. COTTON. Well, I should certainly think I should not.

Senator NORRIS. I should not have asked that question if you had not said you were consulted.

Mr. COTTON. Surely. I was asked whether I would lift it to such a date, and I said "yes."

Senator NORRIS. How long have you been practicing law, Mr. Cotton?

Mr. COTTON. Oh, since 1901. I think that is it.

Senator NORRIS. Are you a member of a firm?

Mr. COTTON. Yes. That is, I had a firm before the war.

Senator NORRIS. Up to the time you went into this office what was the name of the firm?

Mr. COTTON. Spooner & Cotton.

Senator NORRIS. Ex-Senator Spooner?

Mr. COTTON. Yes; John C. Spooner.

Senator NORRIS. Were you, or was your firm, attorney for any of these packers or any of their affiliated connections?

Mr. COTTON. No.

Senator NORRIS. What was the general nature of your business and your clientage?

Mr. COTTON. I did nearly all my work for lawyers. Senator Spooner has been hired to argue cases. Most of my work was in cases or on issues of securities. I was then, and still am, counsel for the Reserve Board. I was counsel for the State commission on the investigation of employers' liability. You remember that, Senator Wadsworth?

Senator WADSWORTH. I do.

Mr. COTTON. And I have been counsel for the city of New York in various matters. Generally speaking, my work has been mostly for lawyers, largely dealing with the issue of securities.

Senator NORRIS. Did you represent Morgan & Co. or the Standard Oil interests, or any of those people?

Mr. COTTON. No; I have never represented either of the particular concerns which you mention. Do not misunderstand me on that, however. On some of these issues of foreign bonds, for instance, I have undoubtedly been the person who certified as to legality of the bonds, and undoubtedly Morgan may have had an interest in the bonds. I remember one instance where I represented the Browns where Morgan was in the deal, but I have never been a Morgan lawyer.

Senator NORRIS. Have you ever been identified with any live-stock interests?

Mr. COTTON. No.

Senator NORRIS. How long have you been in New York City?

Mr. COTTON. I have never practiced anywhere else. Up until 1908, I think it was, I was first a clerk and then a junior with Cravath & Henderson, and I left there about 1908, I believe.

Senator NORRIS. As I understand your testimony, your relations with the packers—

The CHAIRMAN. Before you go into that subject, Senator Norris, may I ask one or two questions?

Senator NORRIS. Yes.

The CHAIRMAN. Were you ever attorney for the National City Bank?

Mr. COTTON. No. I have never been able to get that business, Senator Gore.

The CHAIRMAN. When you were with Cravath & Henderson was Cravath attorney for the S. & S. packing business?

Mr. COTTON. He was attorney in some way for some of the Sulzbergers; whether he was the official attorney for that concern or not I do not know.

The CHAIRMAN. You had nothing to do, I suppose, with the reorganization of that concern when the Wilson Packing House Co. was formed?

Mr. COTTON. I had nothing to do with it. But he has been consulted in Wilson matters, and I have read that he was the attorney in the reorganization of Wilson. I do not even know when that was; it was long after I left.

Senator NORRIS. I wanted you to be a little more explicit, if you could, Mr. Cotton, in regard to the arrangement you had with the packers about the profit they should make, as to their investments particularly. Did you make any investigation to see, for instance, whether their claim of capital was all really invested in the business, and, if so, to what extent did you do that?

Mr. COTTON. No investigation made by me into that matter is conclusive or final. I have asked and expect to have the Federal Trade Commission responsible for that whole thing. They have had a force of men in there for a year and a half, they are the obvious body to do it now, and for me or this division to do it would simply mean a duplicating of machinery, and I thoroughly expect that they are going to do it. They have been reluctant to take it up, and have not yet taken it up. I think they will.

Senator NORRIS. That was for the purpose of finding out what they had in the business and upon which you were going to allow this 9 per cent?

Mr. COTTON. Surely. There has got to be a check on that sort of thing, and you can imagine that I did not particularly love that job.

Senator NORRIS. Can you tell us what part of the capital upon which they get, or will get, 9 per cent is borrowed money, and what part is capital stock, and what rate of interest the borrowed money bears?

Mr. COTTON. I can tell you in general terms, going back a little way. They were usually borrowing at the banks half as much as their capital and surplus, and that would tend to increase in the period of accumulation.

Senator NORRIS. Do you know what rate of interest they paid?

Mr. COTTON. I have been informed they are paying around 6 per cent now.

Senator NORRIS. Do you know about their bonds? I suppose they have regular issues of bonds?

Mr. COTTON. The most of them have regular issues of bonds.

Senator NORRIS. Do you know what rate of interest they bear?

Mr. COTTON. Some of them 4½, some 5, and some 6.

Senator PAGE. The Armour bonds bear 4½ per cent.

Mr. COTTON. Yes. I think that is right; and Wilson, 6 per cent.

Senator NORRIS. I want to ask you about a meeting as to which there has been some testimony that you held, or at which it is alleged you were present, of the executive committee of the American Live Stock Association last December, I think.

Mr. COTTON. I have been with those people time and time again.

The CHAIRMAN. December 5, I think.

Senator NORRIS. December 5; yes.

Mr. COTTON. December 5? I should think I was in Chicago at that time; I am not certain, however. I have met with them frequently all through this matter.

Senator NORRIS. I am informed it was at the International Live Stock Commission.

Mr. COTTON. Oh, yes; I went out to Chicago.

Senator NORRIS. It is alleged that when you were asked if you considered the cost to the live-stock producer when making prices, you replied that you looked only to the price that the packer pays. Do you remember anything about that?

Mr. COTTON. I think I remember some talk of that. We were speaking of the different prices, and that would have been a correct statement at that time; yes. I remember such a talk, and I remember such a statement, applicable to beef, and I should think it was correct then and correct now. I was then

taking out of the packers' freezers stocks of frozen beef accumulated in October and November. That would have been correct, and I undoubtedly would have said it.

Senator NORRIS. Well, do you not think, Mr. Cotton, that in fixing the prices you ought to take into consideration the cost to the stockman, unless there is somebody else connected with the Food Administration whose duty it is to do that?

Mr. COTTON. Not in regard to frozen beef killed and owned by the packers and in store.

Senator NORRIS. Is that all that remark applied to?

Mr. COTTON. I know that remark did apply to that; but I also know this: For instance, dealing with that low grade of cattle, where there was not any complaint, undoubtedly all I would be doing would be to follow the market, that is, I would not be trying to make the price, but seeing that the prices I paid reflected the market for the cattle. I do not want to camouflage a bit. That is about the level of the cattle prices that have been paid.

Senator NORRIS. If I understand you, your idea as to the prices you were paying to the packers was to see whether that price was fair. You did not go back further than the price you had to pay the packer for his product?

Mr. COTTON. Not every day; no; not in regard to some of our purchases, nor where the market was generally regarded as satisfactory by the purchasers. I left it alone.

Senator NORRIS. I can see very clearly how you might do that. At the same time, if there was nobody on the Food Administration to go back further and see that the real producer was properly cared for, then it seems to me there was a screw loose somewhere in the machinery.

Mr. COTTON. Do not jump at that conclusion, sir, because on December 5, when that was said, every man on the cattle advisory committee, I think, was saying, "Now, take your hands off the cattle market; keep out of it; don't do a thing." I mean, they were jolly well content at that time, and my purchases were so small I was leaving it alone. That is true now.

Senator NORRIS. As I understood you awhile ago, though, you pursue that policy yet?

Mr. COTTON. No; I have just shown you that I varied from that policy in trying to change the grades. There is not any man in the United States that I know that is able to give you data on the cost of producing cattle that you can tie to. It is more or less a matter of grade. When the purchases were small and when the market was generally satisfactory to the producers with whom I was in touch I was letting the market take its course and merely paying a price which the market for cattle justified. The fact that I was varying that course does not mean necessarily that I was not trying to be square to the producer. Those things are perfectly consistent.

Senator NORRIS. Yes; I can see how that might be; but in the broad view that I try to get, looking at the whole thing, it seems to me that there could be a just criticism made against the whole plan, on the ground that the Food Administration did not take into its view the whole scope of the matter; in other words, that in December you stopped with what the packer paid, and then when you ran across a letter like the one the chairman called your attention to a while ago, in which a representative of the Food Administrator told the packers that the price must not be raised to the producer, I do not see how you can reach any other conclusion than that the producer has not been looked after properly.

Mr. COTTON. You seem to forget, or not to place sufficient emphasis upon, the fact that our cattle purchases from November to February were a drop in the bucket, not sufficient to do much of anything to the cattle market, no matter how they have been handled. For instance, if instead of my division there had been a man whose one aim there was to get a high price for cattle, the highest price all the time, he could not have done much.

Senator NORRIS. Mr. Cotton, you will agree with me in this, I think, that if we are going to regulate anything, no policy is proper unless it does take into consideration the producer.

Mr. COTTON. I certainly agree with that.

Senator NORRIS. I want to ask you a few questions about hogs. As I understand, one of the objects that the Food Administration had in view was to stabilize the price of hogs?

Mr. COTTON. Yes, sir.

Senator NORRIS. Now, Mr. Wallace, of Iowa, testified before us the other day, and he had a diagram showing the variation of high prices. He had other information on the diagram, but I had that transcribed; I did not do it myself, but my instructions were to make an exact copy of what he had, with a view only to showing how the price of hogs had varied. I want to show you this and get your comment on it. These lines (exhibiting diagram) show the variation of prices in hogs in December, January, and February last. The red line shows the changes from December 1 to March 1, 1918. The black line shows the hog prices on a 10-year average from December 1 to March 1. The green line shows the hog prices changes from December 1, 1914, to March 1, 1915. That was before we went into the war.

That shows on its face that the hog prices in December, January, and February last, under the Food Administration varied a great deal more than the hog prices either on the 10-year average or for the same months just before we went into the war.

Mr. COTTON. I would be glad to comment on that. On this chart the black line shows a fairly level price, growing progressively higher in February.

Senator NORRIS. That is the 10-year average.

Mr. COTTON. That, as you would expect in any average of a number of variables, for a number of years, at substantially the same times, is practically level. The red line, which is the hog prices for this winter, shows a much greater variation than the green line, which shows the prices for that winter of 1914-15.

The reasons, so far as I am able to assign them, for variations this winter rather than the winter before the war are several. They may not be conclusive. For instance, you will see at the end of January an enormous drop in prices—a slash in prices. If you will recall, there were weather conditions in Chicago just before that slash such that hogs practically did not come to the market at all. Then a let-up, and hogs flooded the market. You will realize that January and February is a period of accumulation, and that the packers are buying as cheaply as they can.

The CHAIRMAN. Did the flood, Mr. Cotton, when it came, raise the receipts for the period of shortage above the level?

Mr. COTTON. In January?

The CHAIRMAN. Yes, sir.

Mr. COTTON. I have here another chart of the same kind. The Chicago receipts for 1917, which had been consistently below 1916, on the 19th of January fell off almost 150,000 below the 1916 level. On the 26th of January I find them coming up again above the 1916 level.

Senator NORRIS. What year are you speaking of?

Mr. COTTON. I am now speaking of 1917.

Senator NORRIS. That is, 1917-18?

Mr. COTTON. I was showing the line for 1917-18. In the middle of the month you will find an enormous drop, then going up again.

Senator NORRIS. That was February?

Mr. COTTON. That was toward February.

Senator NORRIS. And then they went away down again?

Mr. COTTON. Went away down again, most probably due to weather conditions. Now, the variations of the hog market in this past winter have been wide—much wider than anybody likes to say, much wider than is good for the producer or good for the packer or good for the consumer. And it is a matter that I do not know how to correct, unless you gentlemen take charge of the hog market and say to the packer, "Pay so much"; and that has not been done.

Senator NORRIS. Is it not demonstrated (assuming those things to be correct, which I do, that there have been greater variations in the hog market in December, January, and February, just passed, than were ever known in those three months in the history of the United States?

Mr. COTTON. I do not know that it was greater than was ever known, but certainly greater than usual.

Senator NORRIS. It was away beyond the 10-year average, was it not?

Mr. COTTON. Well that would not show anything; but it was beyond the usual. The 10-year average is no guide at all.

Senator NORRIS. But if one of the objects of the Food Administration was to stabilize hog prices, does it not follow certainly that they have made a great failure of the thing in those three months, so far as stabilization is concerned?

Mr. COTTON. Whatever the Food Administration has done has, I think, helped very much to maintain it at a level above the announced minimum; but what-

ever they did was unsuccessful in avoiding wide, regrettable breaks from time to time in that market.

Senator NORRIS. As I understand you, you think it would have been much worse if the Food Administration had not undertaken the matter?

Mr. COTTON. That is what everybody is saying; that reminds me of so many forms of excuse that have been put forth that I do not like to use that form of words.

The CHAIRMAN. Did the cattle market experience the same variations?

Mr. COTTON. The cattle market experienced the same variations of receipts, but by no means the same variation of prices.

The CHAIRMAN. Why was that? Can you account for that?

Mr. COTTON. Can I account for it?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think I can. But some of these question you gentlemen are asking me are pretty hard to answer.

The competition in the hog market is, shall we say, much more violent than the competition in the cattle market. There are a lot more people in that market buying all the time. In the cattle market there are a comparatively small number of men in the market. Each one of those people goes in and buys enough for their distributing purposes in the cattle market, and when they have got enough they quit.

The CHAIRMAN. I can see how that might account for some of the difference—

Mr. COTTON (interposing). In a period of heavy receipts, speaking generally, you will find the buyer less eager. But with the hog market—here are all these little hog men, some of them with export business, who are keen to get the hogs; and those men turn over their business very quickly; they do not carry them for long periods; they do not accumulate. The competition in the hog market is much more severe.

Senator NORRIS. But that would apply every year; that is not exceptional for the last three months.

Mr. COTTON. Pardon me; that does not explain the particular variances of 1918; I was answering a question of the chairman as to why it is that one varies and the other does not.

The CHAIRMAN. I see how the large number of competitors in buying hogs would accentuate the prices when the receipts fall off; and it would seem to me that it would protect the price against falling when the flood came along that was supplying the deficit that had happened in the receipts.

Mr. COTTON. Well, the beef is usually, as you will remember, a perishable commodity; the beef comes to market, and a man buys it only because he can sell it again within a reasonable period. In the case of hogs, he buys, cures, and holds. They are both live stock; they are alike in many ways, but the market conditions of the two are very different.

The CHAIRMAN. Those factors would contribute to the stabilization of the hog market?

Mr. COTTON. No; they would contribute to the stabilization of the perishable market. That is, so long as you are dealing with a perishable commodity, the man who buys will buy only what he can sell right away, and therefore the competition is merely to get his share. Do you follow me?

The CHAIRMAN. Yes; I follow your statement, but it seems to me that the fact that they can carry their hog products over a long period of time would enable them to stabilize the price.

Senator PAGE. As a rule, are the margins of profit wide or narrow?

Mr. COTTON. They are quite narrow; more narrow than almost any normal manufacturing business that I have dealt with; they surprise you with their narrowness.

Mr. Chairman, Dr. Durand wants to get away. May I suggest that you question him now?

The CHAIRMAN. I want to ask you a few more questions first.

Mr. COTTON. I am perfectly willing to answer any I can.

The CHAIRMAN. Dr. Durand is your first assistant, is he not?

Mr. COTTON. Yes; but he is not only that; he is my first assistant, and he was there before I was.

The CHAIRMAN. Yes. You stated a few moments ago that you had had no experience in the live-stock business yourself?

Mr. COTTON. Yes, sir.

The CHAIRMAN. Has Dr. Durand had any experience in it?

Mr. COTTON. I think not.

The CHAIRMAN. Who are your other assistants?

Mr. COTTON. The only other assistant who is other than a clerical assistant is E. L. Roy, of Chicago.

The CHAIRMAN. What was his business?

Mr. COTTON. He is a technical hog man, after you kill it.

The CHAIRMAN. Has he been connected with any of the packing houses?

Mr. COTTON. I am not sure.

The CHAIRMAN. He has not been engaged in the production of live stock, has he?

Mr. COTTON. No.

The CHAIRMAN. Has Mr. Coleman been connected with you?

Mr. COTTON. He may be one of the clerks; he is not connected with us in any other way.

The CHAIRMAN. Is Mr. Preevey connected with you?

Mr. COTTON. No.

The CHAIRMAN. He is a chicken man. Does that come under your wing? [Laughter.]

Mr. COTTON. Not under my wing; he sits under his own wing.

The CHAIRMAN. Does Mr. Brook come under your jurisdiction?

Mr. COTTON. No. I see Mr. Brook, and I holler to Mr. Brook once in awhile when we can not get cars, or to his chief, Mr. Bell, or Mr. Spens. Mr. Brook has nothing to do with this business.

The CHAIRMAN. Has Mr. Helle anything to do with this business?

Mr. COTTON. No; Mr. Helle was the head of the bureau which dealt with the allies as to all sorts of provisions. He has never had anything to do with this meat buying or anything of the kind.

The CHAIRMAN. Well, you have been associated with no men engaged in live-stock production?

Mr. COTTON. Do you mean on the regular force?

The CHAIRMAN. Yes.

Mr. COTTON. With no man. Of course that does not mean that I have not consulted them, you understand.

The CHAIRMAN. Yes.

Mr. COTTON. But you mean the regular day-to-day force of the office?

The CHAIRMAN. I mean there is nobody connected with the Food Administration who is vested with any power who is engaged in the live-stock business or the handling of meats—or who is an actual producer?

Mr. COTTON. Well, there are people in the Food Administration who have power enough, but no man in the Meat Division that I know of who has that combination.

The CHAIRMAN. Yes; who is a producer.

Here are a series of resolutions adopted at a farmers' institute at Bloomington, Ill., in which they profess to quote from a telegram received from you to the effect that the prevailing price of corn was fictitious and ought to be reduced. I will have the clerk of the committee read the exact language.

(The clerk of the committee read the telegram, as follows:)

"In a telegram addressed to this meeting, Mr. Cotton says, 'The price of corn is at a fictitious level,' and adds 'I hope the price of corn will fall.'"

The CHAIRMAN (continuing). Did you send any such telegram as that?

Mr. COTTON. While I do not recollect, I think I would have done so—and I certainly believe it.

The CHAIRMAN. Will you find out and file it with your statement, if you did send such a telegram?

Mr. COTTON. If you will let me see the whole telegram, perhaps I can tell.

The CHAIRMAN. That is all there is to it. [Handing telegram to Mr. Cotton.]

Mr. COTTON. To whom is it addressed?

The CHAIRMAN. It is addressed to that Farmers' Institute at Bloomington, Ill. Did you send it?

Mr. COTTON. You can assume that that is correct. That correctly states my view.

The CHAIRMAN. That correctly states your view, whether you sent the telegram or not?

Mr. COTTON. Yes.

CHAIRMAN. Have you done anything to force down the price of corn?

Mr. COTTON. Have I?

CHAIRMAN. Yes.

Mr. COTTON. No, sir.

The CHAIRMAN. Has the Food Administration?

Mr. COTTON. So far as I know; no. And yet I want to qualify that answer. The allies had to be in the corn market, because they needed the corn; and undoubtedly in their buying they were advising with somebody in the Food Administration. On a certain day they practically stopped buying. Now, anything like that has an effect on corn prices; and that was a thing that the Food Administration probably knew about. Do you mean did they do it? No; they did not do it.

The CHAIRMAN. The corn market broke a short while ago, did it not?

Mr. COTTON. Yes, sir.

The CHAIRMAN. The price fell from 30 to 50 cents a bushel?

Mr. COTTON. I think so.

The CHAIRMAN. That was in accordance with your views that that ought to have happened, was it not?

Mr. COTTON. Did I say "ought to happen"?

The CHAIRMAN. Yes.

Mr. COTTON. I thought I said "I hoped it would happen."

The CHAIRMAN. I presume it was in accordance with your hope that what ought to happen would happen?

Mr. COTTON. Yes.

The CHAIRMAN. Do you know anything about an order sent some 10 days or two weeks ago urging the farmers to move corn to the exclusion of other grains, because the allies did want the corn?

Mr. COTTON. No; I do not know anything about that.

The CHAIRMAN. I have here a telegram from the Dixie Grain Co., of Fort Worth, Tex., addressed to Senator Sheppard, and I will ask the clerk of the committee to read it to you, and will ask you if you know anything about it, or if you can tell us who does know anything about it.

(The clerk of the committee then read the following telegram:)

"FORT WORTH, TEX., March 18.

"HON. MORRIS SHEPPARD,

"Washington, D. C.:

"Ten days ago there was an urgent demand for corn. Producers and dealers were told by the Food Administration that it was far behind its program of supplying Europe, and they were urged to strain every nerve to ship as much corn as possible."

The CHAIRMAN (continuing). You know nothing about that, do you?

Mr. COTTON. No; I do not. I do not doubt that is true. They needed the corn and needed it terribly, and they not only needed it, but had to have it very quickly.

Mr. THOMPSON (reading):

"The Railroad Administration was criticized for failure to supply cars, and in every way the impression was created that every bushel of corn that could be shipped before spring farm work commenced would be urgently needed. Producers and shippers of grain have responded to the appeals that were made to them. They have held back their oats and other grains and have given preference to shipping corn, never suspecting for a moment that there would be any interference with the demand for a commodity in such an abundant supply as corn, of which the largest crop ever produced was raised during the crop year of 1917. It is therefore difficult to imagine the feeling of producers and shippers when all of a sudden and without warning the export demand for corn came to a sudden stop, and they are forced to sacrifice grain for which they expected to find an urgent demand, foreign buying having been placed entirely in the hands of one buyer, the Wheat Export Co., an organization supposed to be composed of the Governments of Great Britain, France, and Italy. This organization was naturally suspected of market manipulating. We to-day, however, are in receipt of a telegram from the Wheat Export Co. stating it to be a matter of regret that they can not buy more corn, assigning as a reason that they are under strict instructions from the Food Administration not to do so. There are several questions presented by this situation, but the outstanding one and the question that deserves immediate and serious consideration is the good faith of the Food Administration in appealing for the largest

possible movement of corn, and then withdrawing the main support of the market when the heavy movement is at its height.

Another question relates to the wisdom of entrusting to one man as much power as is used by the Food Administration, and still another, and one of the very great magnitude, is whether he has not acted in bad faith with Congress by exercising far greater powers than were conferred upon him. So far as we are personally concerned the time has come when we can not conduct our business with any degree of certainty. We never know what a day will bring forth. The immutable law of supply and demand has been suspended, competition between foreign buyers has been destroyed, concentration and monopoly have superseded the open competitive market, and producers and distributors are now at the mercy of one man, and that man is the man selected by a foreign government to evolve a system for holding in check the surplus food produced in the United States. Please furnish copies to Senator Gore and Senator Reed.

"DAZEY MOORE GRAIN Co.
(4.37 a. m.)"

The CHAIRMAN. There are some points in that I would not ask you to discuss.

Mr. COTTON. I would just as leave comment upon them.

The CHAIRMAN. I refer to the propositions of bad faith.

Mr. COTTON. Oh, no; I would like to comment upon them if you would let me. May I?

The CHAIRMAN. Yes, sir.

Mr. COTTON. I would say that gentleman was hit by this same immutable law of supply and demand that he thought was suspended.

The CHAIRMAN. If he had bought largely and the market was evidently shut off?

Mr. COTTON. If he bought for the purpose of selling again, he probably got stuck. But remember no person, foreign government, or anybody else would ship corn to Europe from the United States during a period which it would probably be ruined by germination en route.

The CHAIRMAN. You said a minute ago that they were in urgent need of corn?

Mr. COTTON. They certainly were.

The CHAIRMAN. And were buying, I suppose?

Mr. COTTON. I assume so. That is largely one of the things that put up the corn market.

The CHAIRMAN. Do you think this man could not ship owing to the season, or was it because this condition so suddenly came upon them after this came out?

Mr. COTTON. I do not know. I meant they would be very foolish if they bought at a period later than they could ship.

The CHAIRMAN. It did not seem they profited. It would seem from this telegram that the Export Grain Association or the Food Administration did it.

Mr. COTTON. What did he know about it. I mean he can not see what everybody in the Food Administration did.

The CHAIRMAN. That is the point. Who can tell us that?

Mr. COTTON. I do not know, but I hope the foreign buyer—you would have to learn that from the Food Administration; maybe he did.

The CHAIRMAN. You do not know whether a campaign was started some 10 days ago for this extra supply? You stated you did not?

Mr. COTTON. I do not know that accurately.

The CHAIRMAN. It was to supply the needs of the allies, this man says, and for exports; and he also says this order came from the Food Administration. The point I want to get at is to find out from whom we can get the information, true or untrue.

Mr. COTTON. Maybe that is not Mr. Barnes. I will inquire and send word who it is. It may not be him at all. I may be putting something in his hands that he has not handled.

The CHAIRMAN. So, at any rate, the price of corn has gone down the past few days?

Mr. COTTON. Yes, sir.

The CHAIRMAN. And that was in accordance with your hope?

Mr. COTTON. Certainly. I wish it would go lower.

The CHAIRMAN. That is all.

Senator GRONNA. I have your answer to the question propounded by the chairman, Mr. Cotton, that neither you nor any of your associates are practical farmers or that you knew anything about producing cattle or grain. I will admit, for the sake of argument, that it is possible for a man of your intelligence and ability to do justice to the producers, providing you adopt a standard. Now, what standard have you adopted to assist you in getting at the facts so that you know that you are doing justice to the farmer in figuring the profit?

Mr. COTTON. On hogs, I have been largely aided by the report of the production committee—I mean, that is, where I think so far as I have had an influence it has been a fair influence. On cattle I have got a large amount of data from the agricultural colleges, from all the gentlemen who have been before you, from the various people whom I regard as expert men in that field, or more or less expert men in that field. That has not resulted in creating a standard capable of being applied to cattle prices.

Senator GRONNA. You say you have got the data from the men who were here before this committee?

Mr. COTTON. I think all the men who were before this committee have talked to me—perhaps not all, but most of them—that is, those men and many more of the same kind.

Senator GRONNA. Of course, that is mostly from feeders, is it not?

Mr. COTTON. I have been in touch a long while with men who more intimately represented the producers also.

Senator GRONNA. Does that indicate that the results have been unsatisfactory?

Mr. COTTON. To the feeders?

Senator GRONNA. Yes.

Mr. COTTON. Yes.

Senator GRONNA. Then, why has not any change been made?

Mr. COTTON. Simply for the reasons I have stated so much, that our buying in the cattle market has not been enough to affect that.

Senator GRONNA. Yes; but I think your testimony shows conclusively, Mr. Cotton, that the board, consisting of people from our own country and the allies, have pooled and it is one buying agency?

Mr. COTTON. Surely.

Senator GRONNA. I do not think anyone can doubt but what that agency can control prices, because you control supply and demand; that is, you control the demand for certain grades of goods. Is not that true?

Mr. COTTON. I do not think it is true as to cattle, although it may get to be more an influence as those purchases grow larger.

Senator WADSWORTH. What proportion have your purchases for foreign delivery and for the Army and Navy bear to the whole production?

Mr. COTTON. Of cattle?

Senator WADSWORTH. Yes.

Mr. COTTON. Up to date, 4 to 6 or 7 per cent. It varies. It is hard to give precise figures. Of course, of hogs, you understand, it is much greater.

Senator GRONNA. You have told the committee, and I will say you have shown a willingness to give such information as you have, which has been very valuable to me. You have told us how you are dealing with the packers. There is no need to go over that at all. But I think that anyone who has heard your testimony will conclude that you have tried to do justice to the packer and give him a reasonable profit. Now, have you taken into consideration, in figuring the profit for the producer at the rate of interest he pays, or can you tell the committee?

Mr. COTTON. I think I know the rate of interest he usually pays. Is that what you mean?

Senator GRONNA. Yes.

Mr. COTTON. I do not think any man carrying cattle gets off at less than 8 per cent.

Senator GRONNA. You know it has been larger than that, on the average, do you not, Mr. Cotton?

Mr. COTTON. No; I would not say it had.

Senator GRONNA. Before the war?

Mr. COTTON. Oh, sometimes; it has been larger. But he would get it for 8 or 9, I should think; somewhere around there.

Senator GRONNA. That would apply to the feeder. But, how about the producer, the man who raises the cattle and sells them on the market?

Mr. COTTON. He has often had to pay all sorts of rates for his money; I mean very high rates at times.

Senator GRONNA. Can you tell about what that rate was?

Mr. COTTON. I would hardly like to guess. It varies a great deal in different localities and under different conditions. Sometimes it has been very high.

Senator GRONNA. Would not that be one factor entering into the cost of production?

Mr. COTTON. Surely, a very important one, as a matter of fact.

Senator GRONNA. Is it not exceedingly important to know what it actually cost the farmer, and is not the only way you can ascertain that is by knowing the cost of his plant, of his farm, of his labor, of the rate of interest he pays, and is it not absolutely necessary for you to know that in order to know that he is making a profit, or even getting cost out of it?

Mr. COTTON. To tell about any one farmer it is absolutely essential to know all of those things.

Senator GRONNA. Do you feel that you and your associates do know that?

Mr. COTTON. Do I feel that I know it?

Senator GRONNA. Yes.

Mr. COTTON. No, sir; nor any other man in the United States.

Senator GRONNA. You do not think there is any other man who knows that?

Mr. COTTON. I do not know of any.

Senator GRONNA. You do not know of any man who knows what it costs to raise cattle?

Mr. COTTON. Lots of men know what it costs to raise cattle in a particular territory. You mean is there any man in the United States to whom you can turn and get an answer on that question?

Senator GRONNA. Yes.

Mr. COTTON. No man can give a satisfactory answer.

The CHAIRMAN. The Department of Agriculture on the 1st day of July, 1916, issued a report, No. 111, in which they undertook to show the cost of production of beef at that time, stockers, I believe, being \$10.20, according to that report. I have the report here. If that be true, of course, the cost has considerably increased since that date, has it not?

Mr. COTTON. Yes.

Senator GRONNA. I do not think you would have any trouble, Mr. Cotton, to find thousands of farmers who keep books.

Mr. COTTON. I quite agree with you.

Senator GRONNA. They could tell you from the time a calf was born until the animal was sold what it actually cost.

Mr. COTTON. There are lots of such books, and efficient ones, good ones, reliable ones.

Senator GRONNA. Have you made use of them?

Mr. COTTON. I have had a great many of those sent to me.

Senator GRONNA. Books?

Mr. COTTON. Yes; I have had a great many of those books sent to me. I have examined a great many of them.

Senator GRONNA. So that that is really the part of the standard you have adopted in ascertaining the cost of product?

Mr. COTTON. Yes; but it has not resulted in the adoption of a standard on cattle.

Senator GRONNA. Has it on hogs?

Mr. COTTON. It has resulted in my regarding these prices as not particularly good, but not particularly bad on hogs; yes.

Senator GRONNA. Which would you consider the easiest, to ascertain the cost on hogs or cattle?

Mr. COTTON. Oh, there is not any comparison. The hog is a comparatively simple problem as compared with the cattle. It is all right to mention cattle, but we are talking when we talk then about a lot of different things. We are talking about the corn-fed and the range-fed stuff, but it is two kinds of stuff. And you can not—no one I have seen yet could give satisfactorily grades of the cattle coming to the market that would be adequate even for quotation and statistics. I mean, you ask him what kind he wants, and he says he wants "kind

of half-fed stuff," that way, and they do not translate that into precise terms. It is really a tremendously hard thing.

Senator GRONNA. Is not that a policy adopted by the packers and about which there has been a great deal of complaint, not only by the producer and raiser of cattle but by the feeder?

Mr. COTTON. The packer has been callous to the producer. He has not really tried to be scientific in his buying. He bought as low as he could and sold as high as he could.

Senator GRONNA. It seems that your agency has adopted that same method.

Mr. COTTON. You are a little unfair; you really are.

Senator GRONNA. I do not want to be.

Mr. COTTON. I know you do not want to be, and that is why I am saying it. We found on coming in in November the freezers full, we have to take that out. We had not been largely beef buyers. Now, we come in and have got to have it in a rush. If this was a thing you could sit down and systematize and get it out and really be scientific, that would be easy and fine, and none of us would be here talking about it. But the trouble is that this stuff has got to move, and move at once, and you have got to do it by rough methods.

Senator GRONNA. I think I see your point, and it is this. I do not want to misquote you, of course.

Mr. COTTON. No.

Senator GRONNA. But I think I see your point—that the orders you receive are orders for a certain specific class of goods, and in order to move it out of the freezers it has to be that particular class of goods. Is that the idea?

Mr. COTTON. Yes; but not quite that. Those orders for particular kinds of goods do not in themselves constitute grades of cattle capable of segregation from the great mass of cattle. For instance, the order will come in to buy a carcass averaging 400 to 500, or a cow averaging from 400 to 500. Cows averaging from 400 to 500 is not a grade of cattle. It is somewhat a hint, but it is not anything like a scientific grade of cattle.

Senator GRONNA. I think we all agree that the question of first importance is production, and, of course, the next thing is at this time to get the meats over to the allies. I do not think there can be any question about that.

I have studied the question somewhat with reference to grain, and I think it is of exceedingly great importance. The speech of the Senator from New York on yesterday told about the production of wheat, but I think it is just as important with reference to meat; and if we make the producer dissatisfied or if he is compelled to transact his business in such a way that he will be led to believe that we are unfair to him, and that he does not know whether he is going to make or lose, of course it will discourage him. The packer knows absolutely what he is going to get. You have fixed a standard valuation of his property. You allow him to include the amount of money he borrows as a part of the capital, and upon that he takes a certain percentage, which I am not going to discuss. But there is no such thing as that and no such assurance as that indicating to the producer, according to your own testimony, Mr. Cotton.

Mr. COTTON. I should agree absolutely with your statement.

Senator GRONNA. Why is not that done?

Mr. COTTON. To give a promise?

Senator GRONNA. Is it not possible, in order to encourage production? I am, like yourself, interested in the outcome of the war.

Mr. COTTON. Sure it is perfectly possible, and to do so you ought to have two things, possibly three. You ought to have a scientific gradation. You ought to have, and must have to carry it out successfully, a grant of the moneys of the United States. In order to do it and to do it wisely and successfully, you also should take charge of the distribution. But, short of those three things, I doubt if it is wise to touch it by half measures, and I should hope it would be possible not to go into everything at this time. Certainly the staff and the division now working on it could not do all those things. That is a big task that will take years.

Senator GRONNA. You realize, of course, perhaps more fully than I do, that you can not disassociate the question of grain, especially the grain that enters into the finishing of the meat animal, and make a success out of the tremendous undertaking which you have now upon your shoulders. You said a moment ago with respect to corn that you thought corn was selling at a fictitious price?

Mr. COTTON. Yes.

Senator GRONNA. Why did you think that the price was fictitious?

Mr. COTTON. There were very small stores of corn in the terminal markets. Corn which had usually moved way from the farms to the terminal markets in much greater volume, to feed the commercial demand, had not been moved. There had been, before Mr. McAdoo took hold, a real breakdown in transportation. I am not trying to fix the causes of it, but that had been one of the causes of it. The corn was not in the terminal markets. The allies were also in the general market for corn in the terminal markets; that is, corn that had to go through the dryers.

There was a condition where there was a large demand. Corn was not at the place where it could meet the demand, and yet there was corn, only it was separated from the point where demand would have taken it by transportation, and by the fact that it had not moved, and it acted as you would expect it to act. The market went up and stayed up at a price that I should say—I do not know whether fictitious is the adjective to use or not because it was at that price, because of a sudden, sharp commercial demand and shortage at the terminal points, not a shortage in the world, but a shortage at particular points, and that was the reason I called it "fictitious," and that is the reason I hoped it would not be a permanent position, and that I hoped the price would drop, and because I felt that the high corn price was largely making trouble in the economic condition that I said that; and in that opinion I think most of the people who are feeding cattle, practical cattle feeders, will agree with me.

Senator GRONNA. Of course, you are speaking now of what I would call commercial corn—corn that grades a certain grade.

Mr. COTTON. I am speaking of corn that will grade for commercial purposes; that means practically dry corn.

Senator GRONNA. You realize, of course, that a great deal of the corn contains moisture to the extent of 40 per cent. Do you think it would be profitable either for the producer or for the feeder to ship the corn to the cattle? Would it not be better to ship the cattle to the corn? Would it not save in the transportation and be a saving in every way possible?

Mr. COTTON. There was an enormous amount of that soft corn which was perfectly capable of being reduced to sound corn by the drying process. In answer directly to that question, sometimes it is necessary to ship the cattle to the corn, and other times vice versa. But your corn going to commercial uses mostly is not the corn that is fed to cattle.

Senator GRONNA. Was that question considered at all, Mr. Cotton?

Mr. COTTON. By whom?

Senator GRONNA. By your agency, by your administration?

Mr. COTTON. You mean the question—

Senator GRONNA. The question of the great amount of moisture content in the corn.

Mr. COTTON. Oh, yes, sir.

Senator GRONNA. If you ship it to market you have to pay the freight on the moisture as well as the corn, of course.

Mr. COTTON. And that is the reason I am so glad that some of these corn-belt people had an ordinary ready method of marketing that stuff in the shape of hogs.

The CHAIRMAN. If that is all, we are very much obliged to you, Mr. Cotton. If Mr. Durand is here, the committee will now hear him.

Please state your full name to the stenographer.

STATEMENT OF MR. E. DANA DURAND, ASSISTANT HEAD OF THE MEAT DIVISION, FOOD ADMINISTRATION, CHICAGO, ILL.

Mr. DURAND. My name is Edward Dana Durand.

The CHAIRMAN. Your present address?

Mr. DURAND. Chicago.

The CHAIRMAN. And your present employment?

Mr. DURAND. Assistant head of the meat division, Food Administration.

The CHAIRMAN. I will ask you a few questions, Doctor, perhaps abbreviated, merely for the sake of the record. Have you had any experience in the production of live stock?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the feeding of live stock?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the packing business?

Mr. DURAND. No, sir.

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Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the feeding of live stock?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the packing business?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you made any studies of the cost of production?

Mr. DURAND. Of live stock?

The CHAIRMAN. Yes, sir.

Mr. DURAND. Substantially none.

The CHAIRMAN. Have you made any study of the cost of feeding?

Mr. DURAND. Well, I have been examining these reports that Mr. Cotton has referred to that have come in with regard to present conditions, and am fairly familiar with them. But as a general thing I would say I was not an expert on the question of the costs of feeding.

The CHAIRMAN. From your study of those reports, is it your conclusion that cattle feeders are making a profit or taking a loss?

Mr. DURAND. Taking a loss.

The CHAIRMAN. What about hogs?

Mr. DURAND. My opinion is that the hog feeder is not taking a loss, on the average, at all. I know there are plenty of individual exceptions.

The CHAIRMAN. What about sheep and lambs?

Mr. DURAND. The feeder of sheep, I think, beyond all question, has been taking a loss. Of course, the question of the amount of those losses is another matter.

The CHAIRMAN. Doctor, were you at the Bureau of Corporations when the so-called "Garfield report" was prepared?

Mr. DURAND. Yes, sir.

The CHAIRMAN. Did you have anything to do with the preparation of that report?

Mr. DURAND. A great deal.

The CHAIRMAN. Were your services invoked when the Borland resolution was up in the House?

Mr. DURAND. Yes, sir; the packers requested my services.

The CHAIRMAN. What was the object of that resolution?

Mr. DURAND. It was to require the Federal Trade Commission or some other governmental authority—I think it was that—to investigate the packing business and the live-stock business.

The CHAIRMAN. Did you favor or oppose the passage of the resolution?

Mr. DURAND. I had no views on it, particularly.

The CHAIRMAN. Did you prepare any brief upon the subject?

Mr. DURAND. No, sir.

The CHAIRMAN. Did you prepare any statement in connection with the resolution as to how the investigation should be made?

Mr. DURAND. No, sir; I made a suggestion here in Washington that a certain method of investigation should be pursued, quite independently of any question of the Borland resolution.

The CHAIRMAN. Was it your suggestion that Dr. Brand should make the investigation?

Mr. DURAND. My suggestion was to Dr. Brand that he should establish a series of systematic, current monthly reports with regard to the business of the packers.

The CHAIRMAN. Was that the so-called "Brand bet settling" proposition?

Mr. DURAND. I do not understand, Senator.

The CHAIRMAN. Was that the so-called "Brand automatic bet settling" proposition?

Mr. DURAND. I never heard it called by that name, Senator.

The CHAIRMAN. Well, some letter has been brought out in this Heney investigation in which some suggestion or proposition that Mr. Brand issued should be known as the "Automatic bet settler" with respect to the price of live stock.

Mr. DURAND. I have never seen it, for some reason.

The CHAIRMAN. Did you render the packers any service while the Borland resolution was pending?

Mr. DURAND. I do not know just when the resolution was pending. I rendered Swift & Co.—not the packers as a group—a little service in the fall of 1916. The resolution may have been pending, but I do not know but what it had already passed.

The CHAIRMAN. Did it have some relation to that?

Mr. DURAND. It did not.

The CHAIRMAN. Did it have any relation to the investigation of the packers?

Mr. DURAND. No, sir.

The CHAIRMAN. What was it?

Mr. DURAND. Swift & Co., or one of their employees, had prepared a statement with regard to the business of Swift & Co., their profits, their margin between the price of live stock and the price of finished products, and a further general discussion of the causes of fluctuations in the prices of live stock and of meats, and the relations of supply and demand in the meat business; and they requested me to edit that for them and make it as effective a presentation, if you please, of their business as it could be. I agreed, without undertaking to verify their statements of fact, to examine the economic lines of argument as to the relation of supply and demand and the statistics, and put it in shape, which I did.

The CHAIRMAN. Was there any proposition that you should edit a monthly statement of that sort?

Mr. DURAND. No, sir; not that I recall.

The CHAIRMAN. I will get the clerk to read you a statement attributed to Mr. Wilhelm, addressed to the representative of Cudahy Packing Co. at Omaha.

Mr. DURAND. I am familiar with it.

The CHAIRMAN. Of course, it is ex parte so far, and we should be very glad to hear from you on the subject.

Mr. DURAND. The letter is already in your record.

The CHAIRMAN. Yes; I would like to have it in its place, doctor.

Mr. THOMPSON (reading):

"Dr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; * * *

The CHAIRMAN. The letter contains the names of the representatives of these different concerns who were present?

Mr. DURAND. That is not nearly the whole of the letter that is printed in your proceedings here.

The CHAIRMAN. I know it has been printed. Did you attend the meeting of the representatives of the packing houses on that date, January 17?

Mr. DURAND. Yes. It may have been the day before; it was about that date.

The CHAIRMAN. Is this representation of your statement correct or incorrect?

Mr. DURAND. No, sir; it is not correct. You asked, I believe, did you not, what companies were present? Does that appear?

The CHAIRMAN. It does appear in the letter, and the particular individuals who represent them also appear.

Senator GRONNA. He says it was not correct. [To Mr. Durand.] If it is not correct, wherein is it wrong? What did you say with reference to it?

Mr. DURAND. Will you permit me to answer quite in full as to the whole conversation?

Senator GRONNA. I think it is important.

Senator NORRIS. Yes; tell it all.

Mr. DURAND. The circumstances which led up to the meeting and the conversation, if I may. On or about the 1st of January it appeared that the packers had rather large stocks of frozen meat. That appeared in the published reports of the Bureau of Markets, and the opinion was expressed by a good many packers to me and to Mr. Cotton, and also the fear was expressed by a number of cattlemen, that with the stock of meat—and the probable increase in the number of cattle that would come to market after the soft corn had been more or less fed out—short-fed cattle, as they are called, and soft-corn fed cattle—there would be a fall in the price of live stock; and it has been the policy of the Food Administration to do what it could within the limits of its power to prevent fall, both in cattle and hogs. The only way in which a fall in the market could in any way be checked was by placing unusually large foreign orders. Mr. Cotton therefore suggested to the British Government that they should place, or at least place in our hands so that we could place it if necessary, an unusually large order for frozen beef. The idea was to place, if necessary, an order in advance of the needs of the actual consumption in Great Britain and to store it there. The British agreed to do that only on one condition—that they should be able to get the meat at the current prices. In other words, they were willing to help support the cattle market but were not willing, as a result of it, to pay a higher price for that particular order of beef than would correspond to the then existing prices of cattle.

So the order was placed in our hands—not with the packers—in that conditional way; and I called, at Mr. Cotton's suggestion, a meeting of the packers to discuss the placing of that order. It then appeared—I asked them to bring

information as to their stocks, and so on—that the stocks of meat suitable for export, or at least of the kind that the British would prefer to take for export, were by no means so large as it had been supposed; that the great stocks were of the meats put aside for sausage and for domestic trade, cuts of meat and parts of carcasses, and that there was no considerable quantity of actual frozen carcass beef in stock, and that the placing of as large an order as the British contemplated would, instead of merely supporting the market, probably result in a considerable advance. I informed the packers that the British did not have any immediate need of all this quantity, that it was an arrangement that was being made more to oblige us in the matter of holding up the price than to oblige the British, and that if the order was placed it would have to be without an advance in the price of cattle during the time they were acquiring the material to fill it—that is, of that class of cattle which the order contemplated buying—a comparatively low-grade product.

Senator GRONNA. These were your instructions to the packers?

Mr. DURAND. Yes; that if we placed the order it would be necessary.

Senator GRONNA. In order to keep the prices down?

Mr. DURAND. Yes; in order to keep the prices to the British down; that we could only place the order, in other words, at a price practically named in advance, and the packer obviously would not agree to fill the order unless he bought the cattle in some relation to that price. We did not agree at all at this meeting that the order would be placed. It was merely a conditional discussion as to what might be done. The packers then proceeded to say, in substance, that it would not be wise to place such a big order all at once; that it would result in the advance of prices, and that the British Government would not get meat at those prices; in other words, that they would not accept an order in advance for such a large quantity at a fixed price.

Senator GRONNA. Did you understand the packers were opposed to an increase in price?

Mr. DURAND. No; the packers were not opposed to an increase in price, so far as I know; neither was I. I was only discussing the possibility of placing this order and, as I say, the packers were not willing to accept an order for a large quantity of meat in advance of production on the basis of then current prices, because they believed they could not buy the product without the price going up.

Senator GRONNA. Were there any other reasons why they did not want to accept such a large order except that it might advance prices?

Mr. DURAND. Not that I know of; but, of course, they would have lost money if they had accepted the order at a fixed price and then had not been able to buy the product.

Senator GRONNA. I do not care to go into that.

Mr. DURAND. Then, there came the general discussion of what might be done if the British really had to have this meat. That was a different question, as to what would be the way in which the business could be handled if the British had to have the meat, and the packers said, of course, big orders would advance the prices. And I then said that the only way that that could be prevented would be, of course, by actual control of the situation by the meat division—that the possible method would be to allot the slaughter of animals among the packers so as virtually to destroy their competition. I did not say we would do it, nor contemplated doing it, nor is it a correct statement that appears in Mr. Wilhelm's letter. I did not say that the cattle market must not advance in any sense, except the sense I have said.

Senator GRONNA. It was not done by direction, but it was done indirectly?

Mr. DURAND. Oh, no; I think I have stated the exact situation.

Senator GRONNA. As a matter of fact, according to your own statement, did not you maintain this price by the orders you gave limiting the packers to the amount they should buy, and in that way eliminate competition? Was it not done by indirection?

Mr. DURAND. No; not in the least. As a matter of fact, the order was not placed in the form in which it was contemplated at all.

Senator NORRIS. Was it placed, as a matter of fact, in any way?

Mr. DURAND. The order was for a certain class of beef. We placed orders afterwards for a different class of beef.

Senator NORRIS. Can you tell us how large that order was?

Mr. DURAND. If there is no objection—

Senator NORRIS (interposing). About, if you can not tell us exactly.

Mr. DURAND. It was in the neighborhood of 80,000,000 pounds of beef.

Senator NORRIS. That meeting took place on the 17th day of January?

Mr. DURAND. Yes.

Senator NORRIS. Was it not a fact at that time that the feeders of cattle were losing money in this country?

Mr. DURAND. I was beginning to get some light on that. It was, of course, a situation that was developing and that has become more accentuated since.

Senator NORRIS. You are convinced, are you not, that feeders all over the country feeding cattle at that time were actually losing money?

Mr. DURAND. I am now; I could not say I was at that time.

Senator NORRIS. You did not know that then?

Mr. DURAND. The situation, of course, is one that takes time to ascertain.

Senator NORRIS. I am just asking you the question, whether you knew that at that time?

Mr. DURAND. We did not suppose that they were making money at that time; we believed that they were not.

Senator NORRIS. You knew then that there was not any other place in the world for the British to get that meat, did you not?

Mr. DURAND. That is not true, Senator; I beg your pardon.

Senator NORRIS. Could they have gotten it somewhere else?

Mr. DURAND. Yes; they could have gotten it from Argentina.

Senator NORRIS. Mr. Cotton told us the only place to get it was from these packers.

Mr. DURAND. I did not understand him to say that. Certainly, the British are getting large quantities of meat from South America.

Senator NORRIS. Did you think if you had not placed that order with these packers that they would have gone somewhere else, and would have been able to get that big order filled?

Mr. DURAND. I did think so and still do; in fact I am quite sure that they would have had to divert tonnage from other possible sources of supply in order to place that order.

Senator NORRIS. That was such a big order that even the big five, the biggest packers in the world, were not able to fill it without going out into the market and buying more stock?

Mr. DURAND. That is perfectly true.

Senator NORRIS. Do you mean to say that they could have gone to Argentina and bought that order?

Mr. DURAND. The British Government in the year 1917, for example, took very, very much more beef from the Argentine, to the best of my knowledge, than——

Senator NORRIS (interposing). That does not answer my question, Mr. Durand. Here was an order of 80,000,000 pounds.

Mr. DURAND. That is not a very great quantity.

Senator NORRIS. I understood you to say it was such a big order that they could not fill it unless they went out and bought from the producer beef, and that is the reason you took this action that they must not increase the market, that it was so big. If left to its usual method, it would have increased the price that the feeder would have gotten?

Mr. DURAND. No; it would have had practically nothing to do with the price of cattle that are fed; the grade of beef covered by the order was lower than corn-fed beef.

Senator NORRIS. Then, what was the reason in telling these packers or in agreeing with these packers that while they were supplying this order they should not pay an increased price, if it would not have had any effect on the market?

Mr. DURAND. I tried to tell you we did not agree, and that the order was not placed in such a way, so far as we can see, as to have any effect on the market ultimately.

Senator NORRIS. The order was placed.

Mr. DURAND. Not as originally contemplated.

Senator NORRIS. I wish you would tell just how it was placed.

Mr. DURAND. That is what I was about to do.

The CHAIRMAN. I understood you to say a minute ago that the packers insisted it would increase the price of cattle.

Mr. DURAND. If it had been placed the way the British Government put in the order, it would have increased the price for cattle.

Senator NORRIS. But in the way in which it was placed would it not have increased the price of cattle?

Mr. DURAND. It would have no such tendency at all.

Senator NORRIS. Then, there would not have been any object in making any arrangement about holding the price?

Mr. DURAND. No such arrangement was made.

Senator NORRIS. I did not ask you that.

Mr. DURAND. No; there would be no object.

Senator NORRIS. There would be no object in making it?

Mr. DURAND. No.

Senator NORRIS. Then, this man writing the letter was talking about something nonsensical?

Mr. DURAND. Talking about something conditional, as it might have been if the British Government insisted on placing that order under the terms originally contemplated.

Senator NORRIS. They knew it was not placed?

Mr. DURAND. This conference was adjourned, and the problem was mulled over by us in the office and with the British. We, of course, consulted with the British and finally worked it out.

Senator NORRIS. And when was the order finally placed?

Mr. DURAND. About the end of the month; near the end, about two weeks later.

Senator NORRIS. What was the order; what were its conditions?

Mr. DURAND. The original order was for this quantity of carcass steer beef, of light weight, not corn-fed beef; that is, not fancy cattle, and that quantity of that grade of beef would have been a very large quantity in proportion to any possible source of supply. The quantity of that grade of beef in stock was comparatively small as compared with 80,000,000 pounds, and the British Government decided, instead of placing the order in any such form, to buy a great deal more cow beef and cuts of beef.

Senator NORRIS. How much, can you tell us?

Mr. DURAND. I do not think, Senator, I am at liberty to tell you all of those things. But the quantity of that class of beef which was indicated in the original order—that is, 500 to 600 pound steer carcasses—was reduced from 80,000,000 to perhaps 20,000,000 or 30,000,000; I can not recall the exact figures—and other things substituted.

Senator NORRIS. What other things were substituted?

Mr. DURAND. Cow beef and still lighter steer beef than they had contemplated, 400 and 500 pound carcasses, and a wide variety or considerable variety of cuts, such as shoulder clods, beef hams, and boneless chucks, spencer rolls, and other meats of that sort, and also some hog meat was substituted.

The CHAIRMAN. What product?

Mr. DURAND. Some hog meat; about one-tenth of it was made from frozen hogs, the first order we ever had of that.

The CHAIRMAN. If the order had been placed as originally planned, it would have reacted on the price of cattle and would have advanced the price?

Mr. DURAND. Yes; and the British were not willing to place it in that way.

The CHAIRMAN. You are reported to have stated that the price of cattle must not be advanced.

Mr. DURAND. That the price of cattle to fill this order must not be advanced, because the British would not place the order.

The CHAIRMAN. And the order was so changed that the effect did not come to pass?

Mr. DURAND. That was right.

The CHAIRMAN. Would not whatever was diverted to Argentina have gone into the hands of these same packers—the orders for beef?

Mr. DURAND. I do not know what proportion of the business they do in Argentina; they are certainly doing a great deal.

Senator NORRIS. Was not the whole 80,000,000 pounds taken anyhow?

Mr. DURAND. Yes; but in a very much modified form.

Senator NORRIS. Yes; but the quantity in pounds was just as great as actually taken as contemplated that day?

Mr. DURAND. Yes; but I think one should also add that the quantity was shipped over a longer period of time than was originally contemplated.

Senator NORRIS. How long a period?

Mr. DURAND. I do not think the shipments were completed until at least the middle of March.

Senator NORRIS. What was the

the original order?

Mr. DURAND. The idea was to have it finished at least by the 1st of March.

Senator GRONNA. As I understand the doctor, it is this: That instead of placing the order for 80,000,000 pounds, the order was divided up into certain amounts—that is, smaller amounts—through a longer period of time.

Mr. DURAND. That is not correct. The order was ultimately placed at practically one day—that is, toward the close of the month or possibly into February, about the 31st of January, and it was changed merely in the content of the order—very greatly changed.

Senator GRONNA. By the character of cuts?

Mr. DURAND. Yes; very largely substituting other meats, because those other meats were in stock, instead of making it necessary to kill very much larger numbers of the living animals to fill the orders.

Senator GRONNA. Knowing that the feeder was not making any money, did you not feel, as a part of the Government, that in order to run this thing successfully the producer must get a profit, and did you not feel it part of your duty to help him get it?

Mr. DURAND. Yes, sir; I, quite early in the winter—not as early as this, I imagine—commenced to urge the British to take heavier carcasses.

Senator GRONNA. Coming back to this order, having that in view and knowing that the producer was selling at a loss, and that this order meant a loss to the producer of this stock, what is the reason it would not have been your duty to take the position with these purchasers that the price must be such that the producer of the stuff will get a reasonable profit and insist on having that kind of a contract made, if they made any, and if you had stood on that, would they not have been required to have paid such a price that would have given the producer of the stuff a reasonable profit, no matter whether you modified the contract or not?

Mr. DURAND. We are pretty much limited in that matter by the possibility of their getting meat from other sources. I think that possibility will increasingly decline.

Senator GRONNA. The only place you have mentioned they could get it would be Argentina.

Mr. DURAND. That is the only practical place now on account of its being nearer than many other sources. Formerly huge quantities of meat was being obtained by the British from other sources.

Senator GRONNA. Do you not know that the same companies furnishing it from Argentina are the same as those furnishing it in Chicago?

Mr. DURAND. I do not know what the ownership is down there. I only know that several of the large packers are interested, but there may be other packers quite as large, for all I know.

Senator GRONNA. Is it not generally known that the same packers, known as the "big five," control the meat-packing business in Argentina?

Mr. DURAND. I do not think that is commonly known. I actually do not know. I do not even know that is at all near the truth, but I know they have a large business there.

Senator WADSWORTH. There is this to be said, that that would not affect the same class of producers; that is the important element.

Mr. DURAND. No.

The CHAIRMAN. Do you know whether the British and allies are buying meat from Argentina?

Mr. DURAND. Yes; they are buying meat in large quantities there at the present time.

The CHAIRMAN. We have been told that there are great stores of wheat accumulated in Argentina, and that it is not shipped to Great Britain and the allied countries on account of the greater distances from Argentina to the allied ports than from the United States ports.

Mr. DURAND. I think that is probably true.

The CHAIRMAN. I think that if they could take meat they could wheat, and we are having wheatless days here when there are enormous quantities of wheat both in Australia and Argentina. Why do they not take the wheat as well as meat and lighten the meatless days and wheatless days?

Mr. DURAND. You are asking rather a large question of opinion, which is not wholly within my field of thought. I will tell you what I think about it. The price of wheat in Argentina, unless I am very much mistaken, is quite as high as the price here. The price here is doubtless held down——

Senator GRONNA. It is not higher there?

Mr. DURAND (continuing). Whereas the price of beef there is very much lower than here.

The CHAIRMAN. They have not a law or a food administrator in Argentina that makes the wheat farmer take less than the cost of producing it.

Senator GRONNA. I think you know, as a matter of fact, that wheat is higher in Argentina?

Mr. DURAND. I do not know it.

Senator NORRIS. Doctor, you are acquainted with Mr. Wilhelm, who wrote this letter?

Mr. DURAND. Yes; I am.

Senator NORRIS. And at that meeting all the so-called "big five" packing establishments were represented?

Mr. DURAND. Yes, sir.

Senator NORRIS. And, as I understand you, you wish the committee to understand that Mr. Wilhelm, who wrote this letter, in which he pretends to quote you, wrote it at a time when no contract had been made?

Mr. DURAND. Oh, yes.

Senator NORRIS. No order had been placed.

Mr. DURAND. No.

Senator NORRIS. Did he write it at a time when he did not know that an order was going to be placed before they got through with the negotiations?

Mr. DURAND. We knew, of course, some order would be placed, and he knew that; but as to its magnitude, no.

Senator NORRIS. How did you know any order was going to be placed? They might have gone and bought in Argentina.

Mr. DURAND. They regularly buy some beef here.

Senator NORRIS. Can you explain why—have you got any idea why Mr. Wilhelm would write this kind of a letter down to his firm if he did not practically know and was not practically assured that this order either had been placed or was going to be placed, and to misquote you this way? What could it mean? What would be his object?

Mr. DURAND. I should say the only way one could explain such an unusual letter was that Mr. Wilhelm quite misunderstood what was being discussed, did not get the right impression. Mr. Wilhelm I know quite well. I consider him truthful. I do not think he would deliberately misrepresent to his firm, but the discussion took a rather long range as to the whole meat situation, the quantities that were in stock, and the quantities that the American people were consuming, and all that sort of thing. But it was altogether a tentative discussion. There were no instructions placed, further than to suggest to the packers that they keep on freezing some meat, that there would be orders.

Senator NORRIS. How long did you work for Swift & Co.?

Mr. DURAND. I would not call it "working" for them. The work I did in editing this brief, I should say, took me three or four weeks.

Senator NORRIS. What were you doing then? What business were you engaged in at the time you had that employment?

Mr. DURAND. I was teaching in the University of Minnesota. I do not think it is quite fair to use the word "employment." I did a piece of work, and I received compensation for it.

Senator NORRIS. I do not want to misrepresent. I supposed that was proper, but I will let you use any term you want.

Mr. DURAND. I was under no obligations to Swift & Co. as an employee.

Senator NORRIS. At the time you did this work you had no definite ideas as to whether the Borland resolution ought to pass or ought not to pass?

Mr. DURAND. Well, I—

Senator NORRIS (interposing). Were you not employed to do a certain thing, like a lawyer? You were employed to take their side, and you did that, and you made as good a showing as you could for them?

Mr. DURAND. I made as good a showing as my honest convictions regarding the facts would permit. I did not undertake to do as I think many lawyers do.

Senator NORRIS. Oh, no; but you took their facts as being true. I am not assuming that it was dishonorable nor anything of the kind. I want to get the real truth.

Mr. DURAND. I assumed the facts were true; that was not part of my business to discuss that.

Senator NORRIS. Then the question as to whether you were doing something contrary to your belief is not involved in it. Your work was to prepare for them and for their side of the controversy, whatever it might be, or to edit,

rather, something which had been given to you, and make it as plausible a showing for their side of the controversy as you could, and that is where your abilities lay and why you were employed?

Mr. DURAND. I suppose that comes pretty near being a correct statement.

Senator NORRIS. How long before you went into the Food Administration had you done this work for Swift & Co.?

Mr. DURAND. About a year.

Senator NORRIS. In the meantime you were in the university all the while?

Mr. DURAND. Yes.

Senator NORRIS. Before you came to the Food Administration?

Mr. DURAND. Yes.

Senator NORRIS. Did you do any work for any of these other packers?

Mr. DURAND. No. I have told you all the connections I ever had with the packers.

Senator NORRIS. Who represented Swift & Co. that day you had this meeting, when you talked about this big order of 80,000,000 pounds?

Mr. DURAND. I can not recall. There are only two men who ever represented them on such matters.

Senator NORRIS. I will read it from the letter and see if Mr. Wilhelm has it right. He says in the letter that Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.—were they all there?

Mr. DURAND. To the best of my recollection those are the three men. I was wrong in saying two. Mr. Charles Swift is no longer there. The other two men were the men that I ordinarily see in regard to beef from Swift & Co.

Senator NORRIS. Did you ever have any other transactions in your official capacity, while you have been in the Food Administration, in which any course similar to this was taken, that would hold down the price of the producers' products?

Mr. DURAND. I have held conferences with the packers from time to time. To the best of my recollection there has been no other case where any discussion or any action was even contemplated that at all resembled that.

I want to add that about the same time as this beef order was under discussion, there was a similar order contemplated with regard to hog products and, broadly speaking, the same line of thought was in the minds of the meat division as to the placing of that order. It was proved impossible to place that order under the terms which the British Government had suggested.

Senator NORRIS. Were you present in Chicago on December 6, 1916?

Mr. DURAND. Very likely; I do not know.

Senator NORRIS. At a session of the conference on distribution and farm credits?

Mr. DURAND. Yes.

Senator NORRIS. Did you give your ideas there as to what course should be taken in getting a basis of figuring a profit for the farmer or producer?

Mr. DURAND. Yes.

Senator NORRIS. Give the committee your ideas as to what that basis should be, as you stated them there, and as you still hold them, if you do still hold them.

Mr. DURAND. I stated at that time, and I still hold the view, that it is impossible for the farmer to get a price which represents the cost of production if you figure as part of the cost of production interest on the current market price of land, and that that was not, for that matter, a fair way to figure; but even if it were fair there was no human way in which the price of products could be increased so as to represent that kind of a cost of production, because the price of the land depends absolutely on the price of the products and the discounted anticipation of a future increase in the prices of products, and so long as that anticipation continues, as it certainly has for a good many years past, the price of the land will be greater than its present earning capacity, because it is the result of its present earning capacity augmented by the discounting of greater future earning capacity.

Senator NORRIS. In getting at a basis upon which you could figure a profit for the farmer or producer, if the farmer had originally taken his land as a homestead and got it for nothing, under that theory you would not allow him anything for the value of the farm, would you?

Mr. DURAND. I decidedly would. My idea would be to figure as a part of the cost of production the rent of land as distinguished from interest on the market price, the money or rent, what the land would rent for, so many dollars an acre.

Senator NORRIS. You would not figure the rent as a part of the capital?

Mr. DURAND. No; I would figure rent as production cost, as operating expense.

Senator NORRIS. If the value of the land for rental purposes was \$5 an acre you would figure \$5 an acre for each year?

Mr. DURAND. Yes; certainly. But, in most cases, people in Illinois and Iowa will tell you the money rent you can get for renting land is less than the interest on the market price, and for the reasons I have stated, and consequently only the rent can be put in as cost, and not the interest on the market price.

Senator NORRIS. Now, at that conference, did you advance the idea that in trying to get at the basis of valuation, that you would figure in the original cost to the farmer of the land? Did you advocate this rental proposition then?

Mr. DURAND. No, because there was only a brief discussion of any particular point. What I was arguing against was the plan of figuring the interest on the whole of the land. It is perfectly obvious, Senator, that you must get products produced on land that is less favorable in its situation than, say, land in Illinois; that you must pay a price high enough to represent cost of production upon what is called marginal or poorest land.

Senator NORRIS. The rental of your Illinois land would be very much more, for instance, than Nebraska land?

Mr. DURAND. Exactly.

Senator NORRIS. So you would get into the same trouble because of differences in different locations that you are trying to avoid.

Mr. DURAND. I think you and I are in agreement on that. The point is that the rent on the Illinois land represents its superiority over this poorest land which you have to use, and it is almost a matter of indifference whether you figure the cost of production on that poorer land without any rent, or whether you take Illinois land and figure rent as part of the cost.

Senator NORRIS. I wish you would tell us what element you would include in figuring the cost price of fat steers. Just commence at the beginning and run right through, giving us your idea.

Mr. DURAND. You refer to steers that are purchased for feeding, I suppose?

Senator NORRIS. No; I want to take the farmer who raises the steer. Consider that he raises it and fattens it on his farm and sells it. What is the basis of computation?

Mr. DURAND. It depends, of course, on whether you want to figure what it actually costs that farmer.

Senator NORRIS. That is not what I want. I want to get at and to determine what a farmer ought to get in order to make a reasonable profit.

The CHAIRMAN. Assume that he was to get 9 per cent or 15 per cent.

Senator NORRIS. Yes; suppose that you were going to give the farmer the same deal that you give the packer—9 per cent and 15 per cent—where would you get the basis to figure the 9 per cent on?

Mr. DURAND. I think the problem is a more complicated one than that. The point is, you have got to pay the farmer a price for that steer, if he is a fat corn-fed steer, which will enable him to feed corn into the animal, and you can not determine the value of that corn to him by what it cost to raise it, but you have got to determine it by the price of the corn at which he could sell it for alternative use—you really get away from the question of original cost of production.

Senator NORRIS. Do you not make this mistake, Doctor, that you do not differentiate between the feeding of that steer and the raising of that steer? I want to take them both; I want to get your ideas as to both.

Mr. DURAND. I think I did fail to make that distinction. Yes; you would have to pay for the unfattened steer if you wanted to represent the cost of production—a price sufficient to represent all the factors of cost that have gone into that steer, not allowing for the grain at all. Then, if you want the animal fattened and added quality put on, you have got to pay, in addition to that cost, the market price of the grain to the farmer, virtually, or else the farmer will not feed the corn to him. The factors that constitute the cost of the unfinished steer, I would say, were labor, rent, and interest on the building and other things of that kind.

Senator NORRIS. At their cost?

Mr. DURAND. No; at the cost of reproduction, substantially—the present cost of building buildings.

Senator GRONNA. That would be a great deal more than the cost now.

Mr. DURAND. I would not think it fair to figure as high as the war cost of building buildings, because we do not encourage people to put up buildings

during the war. But if a man built a building 30 years ago, say, when it did not cost much, and now under peace conditions it would cost him more, I would figure interest on that higher cost, but deducting depreciation, because if we are going to get these products produced, we have got to have a price that will permit the farmers to build new buildings from time to time.

Senator NORRIS. What do you do in respect to the cost of the land?

Mr. DURAND. Figure the rent.

Senator NORRIS. If you figure the rental value of the land, would that include the buildings?

Mr. DURAND. Not theoretically. Theoretically there is a distinction between the rental value of the land and the rental value of buildings. Practically, we rent land, buildings, and all.

Senator NORRIS. Is it not well known in the Food Administration by all of you that on that basis or any other basis that would give a return value to the producer, the steer and the hog and the lamb has not been giving a return for his labor or his investment either one?

Mr. DURAND. I do not think that can be said to be true of the producer of the steer or the lamb as distinguished from the feeder.

Senator NORRIS. Is that true as to the feeder?

Mr. DURAND. I think the feeder of both cattle and sheep is losing money.

Senator NORRIS. Nor for the labor, do you? You throw in all his labor and he is still the loser?

Mr. DURAND. I think that you can not draw the conclusion from the individual cases that are submitted that the average loss is \$80 on steers or anything like that. It is considerable, I fear.

Senator NORRIS. But they are all losing on it?

Mr. DURAND. All except a few fortunate ones who, perhaps, bought their corn cheap or bought their steers very cheap.

Senator NORRIS. There is enough, at least, to make the business very discouraging; that is true?

Mr. DURAND. Yes.

Senator NORRIS. That is something we want to avoid, and the Food Administration wants to avoid, is it not?

Mr. DUBAND. I think that we ought, of course, to do the best we can, and we are trying to reduce those losses for this year; but I do not think that the Food Administration ought—that is my personal view, and I do not know their views about it—to try to make it profitable to fat feed steers in the future during the war, but that moderate feeding or part feeding is what is desired.

Senator NORRIS. I doubt whether, if the Food Administration did promise it would, that the feeders would rely on it now. But ought it not be the object of the Food Administration and all of us to make it profitable for the producer of everything that we need—and that includes steers, sheep, and hogs, and grain, and everything else.

Mr. DURAND. Of everything that we really, seriously need; but I would not say that we seriously need fat beef.

Senator NORRIS. You do not think we do?

Mr. DURAND. No; not the highly fed beef; it is a good deal of a luxury.

Senator NORRIS. You would not go to the extent of encouraging production, then, of what is known as the best beef?

Mr. DURAND. No.

Senator NOBBS. You would have it sold before it was completely matured?

Mr. DUBAND. Yes.

Senator NORRIS. Is not that an economic loss?

Mr. DUBAND. No; on the contrary—

Senator NORRIS (interposing). That is your estimation, is it?

Mr. DURAND. Yes; because it would take such a large quantity of corn to put on that final finish.

Senator NORRIS. You think we had better not use the corn and get less beef?

Mr. DURAND. Use the corn and produce more beef of a lower grade.

CHAIRMAN. Is it not true that more frames are required to market at ~~the~~ ^{the} ~~weight~~ ^{weight} and will you not run out of frames to market any beef at ~~the~~ ^{the} ~~weight~~ ^{weight} to fatten them?

course, we can eat our cattle without any corn being a light corn crop that would be a practically necessary the only thing that determines how many frames—I tie—

Mr. DURAND. Will be produced is whether there is a profit in producing raw cattle. There is a market for such as human food without fancy feeding.

The CHAIRMAN. Suppose you have a given number of cattle, 5,000,000 frames, to market, and you market those at 900 to 1,000 pounds instead of 1,400 pounds. Evidently you have got to go short of meats—you have to market more frames?

Mr. DURAND. But in the production of this additional 500 pounds on those frames all of them consume food, and to the extent that food that is corn, which is a possible human food, the degree of wisdom in feeding it depends on the size of the corn crop and the conditions of demand for that corn. If we have an abundant corn crop we can afford to produce a great deal of pretty well-fed beef.

The CHAIRMAN. If you consume one-fourth or one-fifth more frames, will you not ultimately run out of frames and diminish your stock?

Mr. DURAND. I do not see any connection between the two things. The producer of frames will go on producing if he can get a sufficient price.

The CHAIRMAN. It takes more frames unless he makes them heavy.

Mr. DURAND. Then we will have to eat less meat in order to have more grain for human consumption, or else take measure by which we will get as great quantity of meat, but not the same quality. Mind you, a certain quantity of corn if fed more modestly will produce more meat.

Senator NORRIS. But to get the quantity of meat, as the chairman suggests, you would have to have more frames than if the animals were fully fed?

Mr. DURAND. Yes; obviously.

Senator GRONNA. Your idea is, then, that the producer will go on and produce frames, regardless of whether he loses money on the proposition or not.

Mr. DURAND. No, indeed; I do not.

Senator GRONNA. I know you have given this matter a great deal of study, especially when you were out there in the university, from a purely economic standpoint. What would you consider would be a fair, reasonable price to pay a farmer for keeping a steer for three years, that is about the time, you know, that they ship him, or begin to fatten him. What would you say would be about right to allow a farmer per day for keeping the steer; that is really the only way you can get at it?

Mr. DURAND. For his labor?

Senator GRONNA. For the cost of everything.

Mr. DURAND. That is asking me, as near as I can figure it, what it costs to produce steers?

Senator GRONNA. Yes.

Mr. DURAND. I do not know. I have never gone into the great detail of that calculation, and I quite agree with what Mr. Cotton said, that the cost of producing steers no one knows in any comprehensive way.

Senator GRONNA. No one knows?

Mr. DURAND. No.

Senator GRONNA. I do not think that is correct. I do not care to argue it, however. I think there are thousands of such men.

Mr. DURAND. Some people say it costs more and other people say it costs less.

Senator GRONNA. Would you be willing to pay the farmer 10 cents a day for taking care of a steer?

Mr. DURAND. I have really not any idea.

Senator GRONNA. That is \$36.50 a year, or \$109.50 for three years. Would that be too high? You know you could not hire a boy to pump water for less than that.

Mr. DURAND. If the farmer could take care, just by way of hypothesis, of 100 steers, at 10 cents apiece, it might be a pretty good return. I do not see how I can answer the question in that manner.

Senator GRONNA. You think taking care of 100 steers at 10 cents a day might pay him adequately?

Mr. DURAND. I have not an idea. You are asking what is the cost.

Senator GRONNA. You are in this department involving the entire meat and food production of the United States, and its supply to the world, I might say, and I ask you that because that is one of the fundamental things that enters into this whole business. I think you ought to know just as well what it costs to produce the cattle as what it does the packer to handle the carcass. It is an easy thing. Any man who knows enough to hold up an umbrella can calculate how much it will cost to take the hide off and sell the carcass. But I think the committee ought to have some information as to what it costs to produce the animal, and that at least your committee ought to have some informa-

tion about it. Otherwise I do not see how you are going to do justice to the producer, and you might, from lack of knowledge, injure the industry to such an extent that we may be without food. Is not that true?

Mr. DURAND. If we were fixing prices, and fixing them too low, I think it would be a fair statement that we would injure the industry.

Senator GRONNA. How do you know whether you are fixing the price too low when you do not know what it costs to produce?

Mr. DURAND. I do not think we are fixing prices at all, and I rather hope we will not have to do it.

Senator GRONNA. Is it not a fact—you can answer it either way you desire—is it a fact or is it not that the question of cost of production is not taken into consideration at all; is not that true?

Mr. DURAND. No. On the hog we took very careful thought of the cost of production. On the cattle I think I will have to repeat that we did not believe that we could affect the price appreciably.

Senator GRONNA. Of course, that is not an answer to my question.

The CHAIRMAN. And when you got a big order in the placing of which you could appreciably affect the price, you so arranged it that it would not react on the price of cattle?

Mr. DURAND. The British Government so arranged it, if you please.

The CHAIRMAN. Inasmuch as we are interested in supplying the allies with food, you do not feel any obligation rests upon the American farmer or that any obligation rests on you to see that they receive that meat at less than cost?

Mr. DURAND. Absolutely not.

The CHAIRMAN. They are obtaining it at less than cost, are they not?

Mr. DURAND. I doubt if much of the meat of the kind they have been taking, the lower grades, has been unprofitable.

The CHAIRMAN. They take the lower grades of meat?

Mr. DURAND. Yes.

The CHAIRMAN. They do not take the higher grades?

Mr. DURAND. No.

The CHAIRMAN. The industrial workers take the lower grades in the United States?

Mr. DURAND. Yes.

The CHAIRMAN. And they have increased the consumption notwithstanding the meatless day?

Mr. DURAND. Yes.

The CHAIRMAN. The people who have retrenched have been the wealthy who could eat the finer and more finished beef?

Mr. DURAND. I think that is largely true, Senator.

The CHAIRMAN. Then by inducing the wealthy class to retrench on the finished meat you have reduced the demand for the feeders' stuff which he has been finishing highly, have you not?

Mr. DURAND. I think the meatless day has had a considerable effect in that direction.

The CHAIRMAN. The only way you can stop the diminishing consumption of the product is sometime or other stimulating the demand, is it not?

Mr. DURAND. Yes.

The CHAIRMAN. Now, could you compel the producer to take a loss on the finished animal? The Government being responsible for that condition, therefore, the Government is responsible for his loss. On the other hand, if you arranged to sell our allies stuff of an inferior grade and changed the orders so that prices were not advanced, who is responsible?

Mr. DURAND. We only do it because we can not make them take the better grade. We may think they ought to take it, and we are getting greater influence with the allies, Senator, as regards these products, because they are commencing to see that their possible future supplies might be jeopardized if they do not place orders with a view to stimulating production, but it has taken a long time to get them to agree to change the nature of their orders.

Senator NORRIS. I can see how it is desirable to have them agree and have everything agreeable, and I think you are justified in going to a great length to have an agreeable arrangement. At the same time, I can not understand why—I will add to that assumption that I do not want to hold them up; I would be just as much opposed to holding up our allies and requiring them to pay an unfair and unreasonable price as I would to have them hold up any of our own citizens. We agree that far. Then, it seems to me, however, that we should be just as anxious to see that the producer, the middle man, whoever he may

be, necessarily—all of them who have anything to do with the production of food in any form—should have a fair and reasonable profit for their efforts. If we agree to those things, which I think we can, does it not follow that because we are practically their only supply we can compel, and the Food Administration can compel a price that will bring those results, without holding them up in any way, by insisting that the producer in America shall get a reasonable profit for his labor?

Mr. DURAND. I think that apart from any question of compelling they can from now on be influenced to act in that direction.

Senator NORRIS. If they can not be influenced, and we have the power to require it, we ought to exercise it. We take a ship, and we ought—I am commending it—we do all those things; and the American producer and the American consumer are under the absolute control of the Government through the Food Administration; they have to come to time. And while I believe they ought to and am not complaining about that, yet I would not treat them any worse than I would our allies across the water. If they would not come in and share the expense they would not get the food. That would be all there would be to it, and they would soon come to time.

Mr. DURAND. As far as the compulsion is concerned upon the allies in reference to the beef business, the measure of our ability to compel depends altogether on transportation, because there is plenty of beef in the Argentine; plenty of it.

Senator NORRIS. The Food Administration could do with them just like they do with me when I want to get a 12-pound sack of flour. They make me buy 12 pounds of oatmeal that will go to waste or be fed to my neighbor's chickens when spring comes. You could, applying the same rule to the British Government, say, "Unless you will do this you can not have this other thing you have got to have." It would not be any worse to force them into what is good for them than it would be to force them into what is good for us.

Mr. DURAND. You are getting into a policy over which I should have no control; that belongs to higher powers.

Senator NORRIS. That is what everybody says. And yet you are a part of it.

Mr. DURAND. I can express my views to other people and try to influence them, but I have no control over a policy as broad as you have just outlined.

Senator NORRIS. But, if I might be excused, I want to read a sentence or two from that letter of Mr. Wilhelm in regard to that meeting on the 17th day of January that you had with the packers. He says: "Dr. Durand said that this thing would have to be handled in some way to avoid advancing of the cattle market." Did you say that or anything that meant that?

Mr. DURAND. Not those exact words. But I think I made it clear that I said that the order could not be placed except at the existing prices, and that therefore the thing would have to be handled without advancing the cattle market or not handled at all.

Senator NORRIS. "That was the thing that must not come about"—that is, I take it, the advancing of prices—"and if it did he would take drastic measures to prevent it."

Mr. DURAND. That last statement is absolutely incorrect.

Senator NORRIS. You did not say that?

Mr. DURAND. No; I discussed with them, as I said, theoretically, possible ways in which the prices could be held down if we wanted to do it, but I did not threaten we would do it, and, as a matter of fact, we have never seriously contemplated doing those things.

Senator NORRIS. "For instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business, you were going to be as correspondingly short in your branches."

Mr. DURAND. No; that is not the way to describe the conversation. The packers said if we took a certain quantity it would take that much out of their branches, and I said, "If we have to have it, of course, the domestic consumption will have to be cut down in some way."

Senator NORRIS. He says, further: "This would have a tendency to raise the beef for market," which we all admitted, "and that, then, the live-stock market." That is a conclusion I want to ask your opinion about.

Mr. DURAND. That is true.

Senator NORRIS. Here is the thing they agree to—meaning the packers: "We all agreed that we would see that we didn't pay any more for live stock." Did they agree to that?

Mr. DURAND. That is not at all a correct statement. They did agree that they would not accept this order unless they thought they could get the live stock at prices that would give them a profit; and, as that seemed to involve higher prices than the British were willing to pay, we did not place the order. That is entirely a misrepresentation of the situation, because I did not ask them to hold down the price, nor did they agree to hold down the price. It was simply a question as to whether this order could be placed under those conditions. It was an order, you understand, Senator—I can not help emphasizing that—which we had asked the British to place beyond their then requirements, for the purpose of enabling us to prevent a fall in the market, and the British said, "Yes, we will oblige you and help you to prevent a fall, only we must not have to pay for the privilege of helping you by paying more for the meat than we would have normally got it at."

Senator NORRIS. Right on that point I might suggest, and, of course, it is only my suggestion, it seems to me that when they did that you ought to have said to these British: "The fellows who are supplying this beef are losing money, and we can not place it at that price, but we insist on placing it at a price that will give them a reasonable profit." It seems to me—and that is the place where men disagree, and my opinion is not worth more than anybody else, may be not as much—that if you had done that, and then on the investigation by the Federal Trade Commission this letter had been discovered and given to the public, as it was, and Mr. Wilhelm had given that kind of a report of the attitude of the Food Administration, it would have at once given confidence among all the feeders, of the efforts being made by the Food Administration to see that they were properly treated, and they would not have felt as a good many of them do.

The CHAIRMAN. Doctor, in inducing the British Government to place this order, were you apprehensive of a decline in the market?

Mr. DURAND. Yes.

The CHAIRMAN. Instead of persuading the British to take what they did not want, why did you not suspend the meatless days, and meatless meals, and bring it about that way?

Mr. DURAND. That, again, was not my field to act upon. But, aside from that, Senator, a purely temporary rush of cattle to the market may depress the prices and cause a loss to the farmer, and yet there may be an actual shortage from the standpoint of general supply, and we were afraid of a temporary rush, and thought it could be relieved somewhat.

The CHAIRMAN. What made you apprehend that rush?

Mr. DURAND. Oh, the thought that the transportation had been so bad, and held back the animals and that it might become better at any time; and also that there was soft corn being fed and nobody knew just how much of it there was. As soon as that was fed out, we suspected that the farmer would not be inclined to buy hard corn at the higher prices prevailing, but would rush in half-fed cattle.

And I want to add that if the transportation conditions had not continued bad we should have had, I think, a great big rush of cattle and of hogs about January and February, and especially in February, and that it would have been quite impossible, or exceedingly difficult, to hold the price where it was. But the transportation all along has held back animals and helped the price situation somewhat.

Senator NORRIS. Doctor, I want to read another extract from that letter of Mr. Wilhelm's:

The doctor then said that they were going to buy big quantities of beef every month and he was rather skeptical about our being able to take care of the orders. He didn't state just what quantity was ordered, but thought that it would be a minimum of 6,000,000 a week.

Mr. DURAND. Twenty-five million a month, or perhaps 30,000,000, counting other packers, is not a great quantity as compared to what we had been taking before. That word "big" is all that I would qualify a little—a considerable quantity.

Senator NORRIS. What was your object in saying that to these packers if there is nothing in the proposition that you did not want to prevent the market from giving up?

Mr. DURAND. The packers have to know, in a general way, somewhat in advance, whether the foreign buyers are going to be in the market for this class of stuff, because they do not freeze any cattle—that is, in whole quarters—for

domestic purposes ordinarily. Of course, once in a while they do. They must be informed somewhat as to the future prospects in regard to orders, so that they can prepare the animals for shipment. We have to keep them informed in a general way about those things.

The CHAIRMAN. Your idea, Doctor, that meat in the Argentine is enough lower than meat in the United States to justify the British Government in shipping it on twice as long a haul?

Mr. DURAND. That is the question of British governmental policy, Senator. I should not feel like expressing an opinion upon that. I know it is very, very much lower.

Mr. COTTON. The prices there are 2 or 3 or 4 cents lower.

The CHAIRMAN. It is just a matter of shipping, I suppose?

Mr. COTTON. Yes.

The CHAIRMAN. Are there any other questions? If not, that is all, Doctor. We are very much obliged to you. The committee will now adjourn to meet to-morrow morning at 10.30, when we will hear Mr. Lasiter and one or two other witnesses.

(Thereupon, at 1.15 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., Friday, March 22, 1918.)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., Friday March 22, 1918.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of Georgia, Sheppard, Ransdell, Thompson, Page, Gronna, and Wadsworth.

The CHAIRMAN. We will hear first this morning Miss Wileman, a woman of England, who is very much interested in the question of farm labor. She is familiar with the subject both in England and in Canada, as I understand, and I told her the committee would be very glad to hear her this morning.

STATEMENT OF MISS ST. JOHN WILEMAN, OTTAWA, CANADA.

The CHAIRMAN. Will you kindly state your name?

Miss WILEMAN. Miss Wileman.

The CHAIRMAN. And your address?

Miss WILEMAN. In Washington, where I have been for the past two months; I am stopping at the New Willard. I have spent the last seven years in Canada and the United States in connection with labor problems, dealing with agricultural and industrial relations of every kind.

Senator PAGE. Have you any official position that we could note here to identify you?

Miss WILEMAN. I have for the last seven years been carrying on an educational campaign to secure for the Dominion of Canada a public national labor bureau system similar to your employment service which has just been founded in the States.

Senator PAGE. Have you an official connection of any kind?

Miss WILEMAN. I have now secured the establishment of that system which the Canadian Government is now creating all over the country.

Senator PAGE. I did not know but what you were president or secretary or held some other executive office in some organization?

Miss WILEMAN. I inaugurated the whole system by starting the first public labor bureau in Canada seven years ago, carrying it on personally, supplying the man power and woman power in three Provinces. As a demonstration of the utility of the labor-bureau system I then inaugurated a coast-to-coast campaign, which I have kept up ever since, on my own responsibility, with the support of Lord Shaughnessy, of the C. P. R., and subsequently, after the outbreak of the war, with the Imperial munitions board, Canadian municipalities, individual trades bodies, labor, returned soldiers, and farmer's organizations, as well as women's organizations.

Senator PAGE. Are you in any way connected with any labor organization?

Miss WILEMAN. With none. I acted in an entirely unpaid capacity, and bore a very large proportion of the expense out of my own pocket.

The CHAIRMAN. Now, Miss Wileman, I wish you would proceed in your own way and discuss the labor situation.

Miss WILEMAN. Mr. Chairman and gentlemen, I am very much indebted to your courtesy for this opportunity to present to you, very briefly, a very live issue at the present crisis in the question of food production. During my seven years' work in Canada I have personally dealt not only with the agricultural labor conditions in the western Provinces, in farming, fruit growing, and so on, but I also investigated and had a great deal of personal contact with those in the maritime Provinces. I may, therefore, speak from general experience.

When I first inaugurated the campaign for dealing with these questions I operated the first public labor bureau in western Canada, sending out thousands of men of every description, skilled and unskilled, to the farmers of the three western Provinces and British Columbia, supplying a very large amount of farm labor. Since the outbreak of the war I have been in close touch with the extreme difficulties Canada has had to confront in regard to supplementing the scarcity of man power on the farms. During the past two years I have done a good deal of work in inducing the various Provinces to throw out into the districts requiring emergency labor large numbers of women for every purpose—fruit growing on the big farms, running machinery of various kinds, helping with the rush harvesting, and so on.

Apart from that, I have in the western Provinces directly observed the ease and efficiency with which the women, whose men-folk dropped everything to rush to the colors and fight in France when the war broke out, have carried on their kinsmen's farms, frequently without the least assistance, without any man power, owing to the scarcity of male labor in that district. They are not falling down, gentlemen, they are carrying on those farms, and when the men come back from the war they will find them just as efficient and just as productive as they were before they left.

I have for a long time past been in touch with a great many States of the United States, visiting them and investigating their conditions. After my work in Canada was ended I spent a great deal of time over here in connection with labor problems of various kinds. Last September I got into touch with Dr. Spillman, the head of the Farm Management Bureau of your Department of Agriculture, and suggested to him that the time was coming when the second line of trenches—food production—would be the bulwark in winning the war, and that in order to release those men for certain other absolutely essential skilled occupations in agriculture, the infusion of a certain amount of well-directed woman power would be of the greatest value. I found Dr. Spillman one of your most enlightened, progressive, and practical men. He realized that the need was coming, and suggested that steps might be taken to get the whole matter planned on a thoroughly sane and cautious basis.

Since last September I have been in touch with Government authorities, farmers' organizations, women's organizations, and societies of various kinds in regard to this question, and as matters stand to-day, I have found an enormous practical sentiment that the time is ripe for tapping your immense reserve power of woman labor in this country in the same way that it has been used in France, in Great Britain, and in Canada.

You probably know, gentlemen, that last year 238,500 women were employed by the British Government in every capacity in agricultural work on the farms—trained, disciplined, supervised, settled in the proper places, and generally superintended. The opposition of the farmers which was manifested at the outset of the movement has vanished as the mist before the sunrise. The farmers now view with each other in compliment and valuation of the sheer practical work that the women are doing. They estimate that three women will do the work of two men, and in many cases they are more conscientious and stick to their jobs, whether rough or smooth.

Senator PAGE. You say three women do the work of two men?

Miss WILEMAN. Three women do efficiently the work of two men.

Senator PAGE. And you say they do it with quite as much skill?

Miss WILEMAN. Yes; that is the official testimony.

Senator PAGE. How do you account for that, in view of the fact that they lack the necessary education, the experience?

Miss WILEMAN. The British Government took the matter seriously from the outset, and arranged for very careful and systematic training of the whole body of women workers under skilled agricultural instructors. When they had passed through their training they gave demonstrations at various centers before large groups of farmers, who approved the method in which they did

the work and the ease and facility with which they handled the implements and machinery.

The CHAIRMAN. That was largely limited to the lighter work, was it not?

Miss WILEMAN. No, Mr. Chairman; it was not. I have some photographs here which I would like to pass around, which have been officially O. K'd. by the British Government.

Last year workers were running those big farm tractors by electric light during the night, in order to take advantage of both day and night for food production. At the end of last year the British Government made arrangements to train a large number of women to run exactly the same tractors this year by night on similar lines, and they will do it.

The number of women that will be employed by the British Government this year on the farms for agricultural work is estimated at almost 400,000. You probably know that in France the women are shouldering the chief burden of responsibility.

Senator PAGE. And are they able to perform as many hours of labor as the men?

Miss WILEMAN. Absolutely. I might tell you, too, that the medical authorities connected with the British Government, who are superintending the general physique and welfare of the workers, stated that the stamina of the women had not been impaired; they have shown no traces of strain, and at the end of last year they were fat, ruddy, and in absolutely good physique, with just occasionally one or two who had dropped out. The great majority showed absolutely no trace of any physical strain or impairment at all.

I might mention to you that in Canada last year, in the emergency crisis, between 6,000 and 7,000 women turned out of their homes and rushed to the rescue of the situation. They had no training; they just went, rather than let the food rot in the ground. They have not shown any trace, either, of physical impairment or strain.

To return to the United States, may I point out to you that last year in New York State Vassar College conducted a very valuable experiment by training a big unit on the Vassar farm, which did excellent work during the whole of the summer. The mayor's council of defense organized another unit, and the woman's committee also did the same thing. When I was in New York I discussed with the farmers who had employed those girls the question of whether the result was satisfactory. It was so satisfactory, gentlemen, that this year they are coming back to New York for hundreds more.

The CHAIRMAN. Who is coming for them?

Miss WILEMAN. The farmers of New York State. The girls themselves are now coming as recruits to form still larger units to go out again to this work.

The CHAIRMAN. Who is at the head of that movement in New York, Miss Wileman? Do you know?

Miss WILEMAN. There is no particular movement, Mr. Chairman; it is just two or three small sections which took up this question last year. Dr. MacCracken, of that college, was the head of the Vassar College experiment; one member of the mayor's council of defense in New York was the head of another section; and there was still another section.

Senator PAGE. I am prompted to ask why, if the movement is assuming such importance, there is not a larger and stronger organization to take it up in a public way?

Miss WILEMAN. Mr. Chairman, may I venture to suggest to the committee that this particular line of procedure might be most profitably adopted: Before the British Government took hold of this question as a national issue, and a very live one, there were hundreds of individual associations, all overlapping each other, all working in rather small, pettifogging ways and doing a great deal of desultory work in regard to women on the farm. When the Government took it over every single organization dissolved, with the exception of one small one, which the Government said might be useful in one or two districts for emergency work. The Government now standardizes the essential factors in the situation and controls it in a practical way. In that way the opposition and doubt of the farmers has been largely broken down, because they feel that with the Government back of it, restraining any ill-judged effort, providing for the training of the women and placing them, the problem is being handled safely and sanely.

Senator PAGE. Do they deal with that as we deal with it in our civil service here? Do they have examinations of health, intelligence, and efficiency?

Miss WILEMAN. They have selection committees, which ask the candidates to provide a medical certificate as to physical condition and make inquiries as to the general desirability of every candidate who offers for work.

The CHAIRMAN. I wish you would outline, Miss Wileman, the details of their organization from the very beginning.

Miss WILEMAN. Yes. May I mention to you also, Mr. Chairman, in order to bring to your attention the attitude of the farmers here toward this matter, that by the courtesy of the farmers' deputation which waited on President Wilson over four weeks ago, I was invited to address them on this subject. At the close of the meeting nine-tenths of the men present came up spontaneously and stated that when this matter was directed and supervised by the Government on practical lines to meet the direct emergencies of the case and the shortage of other labor, the farmers would work with it heart and soul; that they would give their very best cooperation, and that it would help them out of a most difficult situation.

Since then I have also met a gathering of farmers from Maryland and Virginia; they made the same statement, Mr. Chairman. They did feel, Mr. Chairman, that this matter should have a certain amount of Government supervision and guidance to avert any mistakes or blunders that otherwise might occur.

In regard to the British end of the question, the whole program is under the superintendence of Miss Talbot, who is the chief administrator.

The CHAIRMAN. She is the chief administrator of what?

Miss WILEMAN. Of this women's work on the land.

The CHAIRMAN. Where?

Miss WILEMAN. In Great Britain—London. You will find her at Mr. Protheroe's office. The Government has outlined a scheme of selection committees in different parts of the country, which undertake the whole work of testing the suitability of every candidate who desires to enroll. The candidates, after enrollment, are then sent to specific training centers, in order first of all that those who intend to take up whole-time work shall be physically hardened to continuous out-of-door exercise as well as become familiar with the rudimentary technique of their work.

After a training of from four to six weeks the women are obliged to give a demonstration of their ability. When that has been ended, the Government, through Miss Talbot and her officers, takes steps to place them immediately in a position. If that position is not immediately available for a day or so, the girl or woman still receives her pay, because she is in receipt of payment the whole time from the Government. The Government has established a minimum wage of a pound a week for the beginner.

The conditions of labor are carefully superintended. Where it is possible for girls to live on the farm, a large body of supervisors who visit the various country districts make sure that the conditions are clean and hygienic and that the food will be properly supplied. After the girl goes to the farm she is visited from time to time by the supervisor to see that her work is being carried on properly and that she is succeeding in her task.

Senator SMITH of Georgia. Do you think anything of that kind will be necessary in as large a country as ours?

Miss WILEMAN. No; I do not, Senator Smith.

Senator SMITH of Georgia. Really the problem with us is to arouse local interests, is it not, and to induce local preparation and willingness to try it out?

Miss WILEMAN. Yes, sir; it is. But I would suggest to you that you get up standards here at Washington and send out through the country the main essentials which you would desire every worker and every committee to adhere to.

Senator SMITH of Georgia. To standardize it here and furnish the information to the localities and invite them to take it up?

Miss WILEMAN. That is it; decentralize it. But I would strongly suggest that you incorporate in your system the selection committee and supervisors. They, I think, you will find are absolutely indispensable in dealing with your problem.

As far as the condition in Great Britain goes, as I said before, the result is absolutely and unanimously satisfactory to all sides. As Senator Smith has said, your conditions here are so very dissimilar in regard to the area to be covered, the decentralization of Government and authority, that I think the best plan would be to get everything standardized in Washington and then secure the cooperation of the States, and, within the subdivided areas, of the persons who are ready and willing to take a hand in this big game of beating the Germans through food production.

I do not think there is anything further I can say, except that up to the present moment several branches of the Department of Agriculture, some of the leading officials at the Department of Labor, several of the Federal Food Administration authorities, and of the educational department of the National Council of Defense have already signified that if this general plan of systematizing and standardizing can be arrived at their cooperation is absolutely assured.

Senator GRONNA. Miss Wileman, what success have you had in Canada in standardizing this work?

Miss WILEMANN. It was found after last year's experiment, when the women turned out in a rather indiscriminate way, that it was absolutely necessary to prepare for standardizing the work for this year, and that has been done through the agricultural colleges right across the country from British Columbia to Nova Scotia.

Senator GRONNA. Of course the women on the farm in both countries, both in western Canada, with which I am somewhat familiar, and in our own western country, do considerable work on the farm.

Miss WILEMAN. Oh, yes, sir.

Senator GRONNA. And they know how to perform the work. Is it your idea, then, that this organization would be used to get girls from the cities to go to the farms?

Miss WILEMAN. From the smaller country towns, from women's colleges where the girls have already gone through the gymnastic and athletic courses, and for certain part-time occupations, very satisfactory workers could be secured from the women who are employed in the seasonal trades of the trade-union and labor organizations.

Senator GRONNA. Do you know what success the women in Canada have met with in handling intricate machinery, such as tractors? I am speaking of western Canada, where the climatic conditions are not very favorable.

Miss WILEMAN. Do you know what success the women in Canada have met the most remote parts of the country—20, 30, and 40 miles away from a train—and I have seen women there handling this machinery right along and responsible for it. On one big farm on Vancouver Island, where the head of the house volunteered and went across to the war—he is an M. P. P. in the British Columbia Legislature—his wife and daughter are handling single handed the care of the sheep, looking after the cows, the poultry, the grain, and fruit. I have seen them do it, and they are handling their own machinery. In both Alberta and British Columbia I have practically visualized the process.

Senator GRONNA. There has been a great demand from western Canada for labor from the United States. In fact, the demand was so strong we had to make a protest.

Miss WILEMAN. I know that; yes. But, you see, Senator Gronna, there has been such a terrible drain through the war in the shape of casualties returned who are no longer of any use on the land. May I tell you that from the Edmonton district alone at the outbreak of the war 23,000 men went across to the front, and a very large proportion of those men are dead, and a very large proportion of them disabled, so that it is impossible for them to return to the land. In British Columbia the percentage was even greater. When I was traveling by motor through some of the outlying portions of the mainland and Vancouver Island we passed through village after village where we saw only small boys and elderly men.

May I mention, gentlemen, that I understand that a bill will be before you this week, or is now before you, dealing with the question of appropriations not only for seed but for labor? I appeal to you, in dealing with the financial side of the question, to think of this practical matter of the aid that women can give. We should feel—and I am sure I speak for women all over the country—greatly indebted to your chairman and any other member of the committee who on the floor of the Senate may direct attention to the fact that women's work has been used a great deal in the United States and has given a great deal of satisfaction, and to increase the supply of labor and to increase its efficiency it will be one very helpful way of meeting the labor issue. And may I appeal to you gentlemen, as men of business, to also make the suggestion that in appropriating the \$2,000,000, which I believe is the amount to be used for mobilization of labor, the women's side of the question shall not be forgotten or ignored.

The CHAIRMAN. We are very much obliged to you, Miss Wileman. We will now hear Mr. Smith.

STATEMENT OF MR. DATUS C. SMITH, FARMER, KINDERHOOK, N. Y.

The CHAIRMAN. Will you please state your full name, Mr. Smith?

Mr. SMITH. Datus C. Smith. I live at Kinderhook, N. Y., in the Hudson Valley.

The CHAIRMAN. Are you interested in agriculture, Mr. Smith?

Mr. SMITH. I am; that is my only business.

The CHAIRMAN. You indicated a desire to be heard on the by-products of flour—shorts and bran. We should be very glad to hear you discuss that.

Mr. SMITH. My business is farming only, and I have been for 30 years farming in North Dakota, in the Red River Valley, at Blanchard; now spending only my summers there. I am associated with our local and county and State organizations in the State of New York, and in that way have some acquaintance through the State, and I have still wider acquaintance in North Dakota in the same way. This has given me at least the opportunity of knowing farm conditions and the sentiments of farmers.

Senator GRONNA. Won't you state, Mr. Smith, the size of your farm and the proportion of it under cultivation, and how many horses you employ?

Mr. SMITH. There are 2,280 acres in the farm, all under the plow save 110 acres allotted to buildings, yards, roads, and rough land. All our meadows and pastures are brought into the crop rotation. We have 40 work horses now. Generally we have had about 60 work horses, but have lately replaced a part with tractors.

Before I proceed to the matter of the by-products of flour there are one or two things I have heard discussed here during the last two days that I wish to spend a minute upon. One is the question of the use of lamb. Lamb is the cheapest form of mutton that can be produced, though it sells for a higher price, the same as good lettuce will sell for a higher price than older lettuce. There are some millions of lambs marketed in this country directly from grass; they are born on the grass, they are marketed from the grass, and they never eat any grain, and for that reason—in addition to the point Senator Warren spoke of yesterday—they are a cheap form of mutton. Lambs are half the profit in sheep. To discourage the consumption of lamb is to discourage the production of both wool and lambs; that is, of the whole sheep industry.

I also want to mention potatoes; I do not know whether anything has been said here about potatoes or not. I am not raising potatoes for sale, except occasionally in a small way at each farm; but I want to say that potatoes are, I suppose, the cheapest form of food we can produce in large quantities, and that their production should be encouraged in every way. Potatoes are now, I believe, one-third the price of seed last year; and if there is one thing that needs the support of the Government as to price, I think it is potatoes, in order that a very large area of potatoes shall be raised other than by those who raise them regularly for market. I think a cost minimum price should be placed under potatoes.

Mention has been made here of the feeders' losses; a good deal has been said about it. My principal business is wheat raising in North Dakota, but for 20 years I have incidentally had both cattle and sheep. The feeder is a very near cousin to the producer. There is but very little difference between the producer and the consumer. It is just the cost of getting the supply from the market. We heard here yesterday that it cost for feeder cattle \$2.50 a head for the buying expense and \$3.50 for the marketing expense. The freight was not mentioned, I believe, but that would be, both ways, \$5, \$6, or \$7 possibly, so it amounts to, say, \$10 to \$13 per head. Now, there is only \$13 difference between that stock in the hands of the feeder and in the hands of the producer, so the producer himself is closely related to this rise and fall in the market.

Mention has been made of the time of seeding spring wheat as being March and April. It is accurate, I think, to state that nearly all spring wheat is raised in North Dakota, South Dakota, and Minnesota, and April and May would cover that. I am referring now to the proposal to increase the price to encourage that seeding.

The CHAIRMAN. I am glad to hear you say that, Mr. Smith, although the water has passed the mill, so far as the Senate is concerned.

Mr. SMITH. I should say that two-thirds of all the spring wheat is normally raised in the three States of North Dakota, South Dakota, and Minnesota, and

that means 200,000,000 bushels of wheat to be planted during April and May if we are to get a normal production.

There is another thing: I am aware of the action taken in the Senate yesterday, but I may mention this. The cost of wheat in 1918 is going to be from 20 to 30 per cent higher than it was last year, because every element that goes into the production of wheat is going to be at least 20 per cent higher—labor, binding twine, machinery, everything. I do not need to elaborate that, because it is well understood. If \$2.20 was the right price for wheat last year, \$2.20 is not the correct price this year.

Senator GRONNA. In that connection, Mr. Chairman, I have here a telegram from the chairman of a convention held at Minneapolis the day before yesterday, which I should like to put in the record. It reads as follows:

MINNEAPOLIS, MINN., *March 31, 1918.*

HON. ASLE J. GRONNA,
Washington, D. C.:

Whereas the price of No. 1 northern wheat was fixed by the President of the United States at \$2.17 per bushel for the 1917 crop and correspondingly lower price fixed for other grades; and whereas, if it be assumed that the 1917 prices were reasonable and adequate under the conditions existing as to the 1917 wheat crop, it is manifest that a consideration of various factors that will enter into the cost of producing the 1918 wheat crop will make it necessary for a higher price to be fixed for said 1918 crop in order that the producers may be equitably and justly dealt with, such factors, among others, being increase in cost of twine approximately 75 per cent; increase in cost of farm machinery; undoubted increase in cost of farm labor, owing to scarcity because of the fact that thousands of the young men heretofore engaged in farm labor in wheat-producing States have been drafted into or have volunteered for military service of the United States: Now, therefore, be it resolved, that the official representatives of the States of Minnesota, South Dakota, North Dakota, and Montana, in conference assembled pursuant to call at the city of Minneapolis, Minn., this 20th day of March, 1918, do hereby respectfully request that the President of the United States reconsider the prices fixed for the 1918 wheat crop and either raise the price by proclamation or urge the passage of the Gore amendment to the Agricultural appropriation bill.

H. N. OWEN, *Chairman.*

The CHAIRMAN. In connection with that I will say there was a convention of 500 wheat growers held in Kansas City, representing 15 States. They adopted resolutions very strongly in favor of the amendment that was debated yesterday. Of course, that is belated now, but it reflects their attitude on the subject. The telegram also states that where the promised yield is not 8 bushels to the acre or more a great deal of it will be turned under; in fact, in my State half of it will be turned under if they can get the labor to turn it under and sow the land to more profitable crops.

Mr. GRONNA. I think it is encouraging to know, Mr. Chairman, that our action was not unwarranted.

Mr. SMITH. I want to mention the matter of withholding chickens from the market. Hens and pullets are to be withheld by the order of the Food Administration, are being withheld from market, either alive or fresh killed, from the 15th of March, I think it was, to the 1st of May. Now, if there is a chicken man on the Food Administration, I am sure he has had to do with dressed chickens, not live ones. This order the field for heavy supplies of poultry held in cold storage by the packing houses, and I am credibly informed the prices for that cold-storage poultry rose 6 cents per pound in response to the order. It is not very important, perhaps, in the country as a whole, but it is mighty important to the small man, the farmer, or the farmer's wife who has a few hens that are too old or too poor to lay eggs. If the man who considers that matter understood it, he would know that no one is going to market chickens that promise to lay eggs during April and May. The regular poultry men have found out about their chickens before this, and their poor pullets and hens have been taken out, but the small farmer who has chickens often has not done that.

The CHAIRMAN. Of course, it is uneconomical to keep those that are not going to lay.

Mr. SMITH. I am not a lawyer, but I have read the act of August 10, 1917, very carefully, and I can not find any authority by which the Food Administration was entitled to interfere with the delivery of food by the farmers. In fact, it seems very clearly the intent of the act that the farmer should be let alone.

The CHAIRMAN. There is no such authority with respect to hens and a great many other things that have been done.

Mr. SMITH. I have a note here regarding farmers getting rich, but I do not think I need to say anything about that. It is well recognized that the farmers are not getting rich. To-day's prices are not the farmers' prices; they are the prices of the dealers, the prices of the people that buy up the different things wherever they can.

Senator GRONNA. Mr. Smith, will you pardon an interruption there? Your farm in North Dakota is in the Red River Valley?

Mr. SMITH. It is.

Senator GRONNA. That is the most favored section of the State, of course?

Mr. SMITH. It is commonly considered so.

Senator GRONNA. Have you kept books so that you know about the percentage you make on your investment?

Mr. SMITH. I have not kept them as to percentage, because that has varied so; but I have kept farm books and have the accounts divided accurately. The whole thing has been kept in book form for 30 years.

Senator GRONNA. Do you rent your land up there?

Mr. SMITH. No, sir; I farm it myself.

Senator GRONNA. Have your profits from your farm there been large?

Mr. SMITH. No; not since 1900.

The CHAIRMAN. Have they been as much, say, as 9 per cent and 15 per cent?

Mr. SMITH. No; I would be glad to have half of that without any charge for personal services.

In North Dakota last year we had a good year, but we did not make a dollar of it on wheat. We had 12 bushels to the acre, and the average in North Dakota was much less than that. Many people had only 5. The whole profit that was made on my farm in North Dakota last year was on sheep, wool, and clover seed. We can tell accurately, because we keep separate accounts.

Various witnesses before you have said they did not want to criticize. I do. I am come here for that purpose—to give what I believe to be helpful criticism. I feel it to be my duty in spite of the fact, even because of it, that I have been a devoted adherent of President Wilson from the first, and trust I shall be to the last.

We all recognize the valuable services of Mr. Hoover in enlisting the people in the conservation of food. But I think I am entirely within the facts in saying that Mr. Hoover has lost the confidence of the farmers of America. This is because of his failure to fairly administer the law placed in his hands—the act of August 10, 1917.

Instead of encouraging crop production, many of the things done by the Food Administration have tended to discourage it. That act embraces in one paragraph the things subject to control, namely, "foods, feeds, fuel, including fuel oil and natural gas, and fertilizer and fertilizer ingredients, tools, utensils, implements, machinery, and the equipment required for the actual production of foods, feeds, and fuel, hereafter in this act called necessities," etc. It was the clear intention of the law that if the farmers' crops were to be controlled in price so should the instruments for their production. Yet what has been done? Mr. Hoover, I understand, admits that he has controlled only the price of two things, sugar and wheat, with its products.

If this law, just as it stands, had been fully and fairly administered, the farmers would not to-day be coming to Congress to ask for a \$2.50 minimum on wheat. But the failure to control the prices of everything but wheat and sugar is not the worst of it. The Food Administration has taken the farmers' wheat at fixed prices and then allowed the by-products of the wheat to be delivered back to the farmer at unrestrained, extortionate prices, as I shall show.

This excess profit of \$10 a ton on bran has reached in its practical effects into every farming community in this country and carried with it a sense of its grinding injustice. It has put up the cost of dairy feed, increasing the cost of milk and other dairy products, resulting in curtailed consumption, with the reaction on the dairy, until now dairying is in a depressed condition, as we all know. It has discouraged poultry raising, while the biggest penalty of all has fallen on general farmers throughout the country who feed bran to horses and middlings to young pigs.

I wanted to speak particularly regarding the by-products of wheat. Has that been discussed here at any length?

The CHAIRMAN. It was entered into; yes, sir.

Mr. SMITH. When it was first arranged to fix the price, or when the price had been fixed, the Food Administration, as I understand it, arranged with the millers of this country, all of those who would willingly come in—and I think all of them save the little country miller did come in, because they had to get wheat—for them to take 25 cents a barrel profit on the flour and 50 cents a ton on bran. That arrangement went on and was doubtless in good working shape by the 23d of October, when bran was selling at retail in Albany at \$38 a ton. It may be assumed that that was a full price and a proper price. As soon as the corn was found to be soft there came a great demand for bran and middlings, and the price began to go up. On the 5th of December it was \$46, and shortly afterwards it was \$48, and it is \$48 to-day. You can hardly get any of it, but it is \$48 a ton, showing an enormous excess profit with no increased cost in the wheat from which it is made.

The CHAIRMAN. They pay exactly the same for wheat?

Mr. SMITH. They pay exactly the same for the wheat, showing an excess profit of from \$10 to \$12 a ton.

The CHAIRMAN. Between what dates?

Mr. SMITH. If I had known I was to appear here I could have brought the data with me, but I remember that it was October 23 when bran was \$38 a ton in Albany. On December 5 it was \$46 a ton—I bought from a large dealer there—and shortly afterwards it was \$48, and is now \$48.

The CHAIRMAN. The price has not been stabilized?

Mr. SMITH. It has been stabilized on the high levels.

The CHAIRMAN. And that all came out of wheat for which the farmer received exactly the same price?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Can you give us the name of the firm?

Mr. SMITH. Crippen & Westfall Grain Co., Albany, N. Y. They supply a very large section of the country. I do not know whether there has been an uneven distribution of mill feed or not, but the mill feed has been so scarce in Albany that many people have had to go without it.

The CHAIRMAN. Are these wholesale or retail men?

Mr. SMITH. I should say they are both; they are licensed people. They handle carloads. They would normally have on their floor at one time probably 5 or 10 carloads of stuff.

The CHAIRMAN. Have you heard them say whether the price has been advanced to them?

Mr. SMITH. I presume it has gone up with Crippen & Westfall Grain Co. They told me that they are simply passing the price along as they get it. That is what Crippen & Westfall told me. I complained early in January to the Food Administration regarding the situation, and called their attention to the fact that it was not according to the agreement that had been made by the mills, and also that they were making this advance in price on wheat that had not varied in price. In the course of three weeks, perhaps, I got an answer from the Food Administration, sending me a copy of "Milling Division Circular No. 6," dated December 18, 1917, calling my attention to rule 19, which says:

"Rule 19. No licensee engaged in the business of milling flour and feed from wheat shall after December 25, 1917, sell wheat mill feed at any price in excess of the following prices:

"*Bran.*—Bulk price per ton of 2,000 pounds at mill in carloads in no case shall exceed 38 per cent of the average cost to such mill of one ton of wheat at the mill, which cost of wheat shall be the average cost as shown by the previous month's records of said mill and shall include the 1 per cent administration fee paid by the mill on all wheat ground.

Differentials (maximum prices, bulk mill), basis bran.

Shorts or standard middlings	-----	\$2 per ton of 2,000 pounds over basis.
Mixed feeds	-----	4 per ton of 2,000 pounds over basis.
Flour middlings	-----	9 per ton of 2,000 pounds over basis.
Red dog	-----	15 per ton of 2,000 pounds over basis.

"The above percentages on prices are subject to revision from time to time by the United States Food Administrator, but no revision will be made without 30 days' notice.

"The price f. o. b., bulk, mill, in carload lots shall be on the basis of cash or draft attached to bill of lading and all the licensee shall be in-

voiced at such price. There shall also appear on the invoice, in addition to such price, f. o. b. mill, the price of the sacks and items of freight and interest, if any, when goods are sold on extended terms or credit, and other charges, but the licensee, for convenience in selling, may quote a delivered price in sacks."

I was told by the writer that I would no doubt soon get relief. Getting a higher price instead of relief. I then wrote to Hon. Victor Murdock, of the Federal Trade Commission. He acknowledged my letter and referred it to the Food Administration. Shortly afterwards I received a letter from the Enforcement Division telling me, I believe, that I would soon, no doubt, get relief.

Senator GRONNA. Will you pardon an interruption there before you get away from the cost of by-products? Have you made a computation as to what that would make the price of wheat per bushel?

Mr. SMITH. Dr. Ladd has put the figures at from \$25.85 to \$26.05, according to the quality of the wheat they used.

The CHAIRMAN. Per ton?

Mr. SMITH. Per bulk ton, delivered at the mill.

Senator GRONNA. That is what he says it should be. You misunderstood my question. Have you made a computation as to what the price of wheat would be, based on \$48 per ton for bran and shorts?

Mr. SMITH. No; I have not, Senator Gronna. I would not dare do that.

Senator GRONNA. I think you will find it will be pretty close to \$4 a bushel for the wheat; probably \$3.95.

Mr. SMITH. I might say I had a letter from my farmer in North Dakota yesterday, in which he called my attention to the fact that screenings were costing \$30 a ton, and wanting to know if I thought we had better buy some screenings for feeding the sheep. Now, wheat that we sold brought us about \$67 a ton, and the screenings are being sold back to us at \$30 a ton.

The CHAIRMAN. What would that make wheat worth without freight charges?

Mr. SMITH. Perhaps \$3 or \$3.50 per bushel. These screenings I now speak of are in Dakota. Years ago, when wheat was about 75 cents, we used to buy all the screenings we wanted at \$3 or \$5 a ton.

Senator GRONNA. From \$12 to \$14 a ton has been the price in the terminal markets.

Mr. SMITH. Yes; at St. Paul.

Senator GRONNA. You understand, of course, Mr. Smith—I know you have had the experience—that these screenings do not cost anything to the miller or to the elevator men. The farmer gets nothing for his screenings.

Mr. SMITH. That is a very important fact to bring out.

Senator GRONNA. That is your experience, is it not?

Mr. SMITH. Yes; that is my experience. The farmer gives his screenings away and pays freight on them besides. He pays the freight to Minneapolis on his whole carload, and the screenings are taken out. I could not give you a good explanation of why he is not allowed anything for them.

The CHAIRMAN. And that is what he is paying \$30 a ton for now?

Mr. SMITH. That is what he is paying \$30 a ton for.

I want especially to call your attention to the last clause of this rule 19, which I read:

"This rule shall not affect existing contracts."

There is the rub. That is the whole thing that has made the trouble, and unless something is done we are not going to get any reduction in price until the war is over, I judge. A broker or commission man can say, "Ship me all your by-products; I will take all you get." Very well. There is your contract, good for the war, apparently, though section 6 of the law calls it hoarding, with heavy penalty, to contract or arrange for any necessities in excess of "reasonable requirements" for a reasonable time.

Now, the Food Administration has been aware of what was going on, because on December 18 they issued this rule regulating the price, which would make the price in Albany about \$36 or \$37, allowing the cost of freight and the intermediate charges.

The CHAIRMAN. Now, do you think the reason the price has soared up to \$48 is because of this clause about existing contracts?

Mr. SMITH. Yes; I think that is the only reason, or rather, the only reason for it staying up.

The CHAIRMAN. The farmers in my part of the country are complaining about this order in regard to carload lots, saying that they do not need it in carload lots, that they can not buy it in carload lots, and can not handle it in carload

lots, and therefore the lid is off when they want to buy it. I understand there has been a limit put on that.

Mr. SMITH. Yes, Senator Gore, that has been properly arranged for.

The CHAIRMAN. It is said that in some cases the miller sold to some clerk in the office at the regulation price, the clerk being a broker, and the clerk sold without limit, as the regulation did not apply to him.

Senator RANDELL. I would like to ask Mr. Smith what relief he would suggest.

Mr. SMITH. If you will allow me, Senator Ransdell, I want to take a moment more on this question of regulations. Here are some new regulations, dated February 13. The changes here made indicate that they knew exactly what was going on. The order made effective December 25 had not been effective.

This regulation of February 13 says that rule 19—the rule which I just read—has been amended by adding the last paragraph below. That paragraph is proper enough; it permits the miller to sell under suitable rules direct in small quantities. But while they were revising this regulation and knew what was going on, they retained that expression, "This rule shall not affect existing contracts."

The CHAIRMAN. The trouble about that is that they could not, of course, affect valid existing contracts.

Mr. SMITH. They have done it. In this same circular rule 17 has a provision affecting the quality of flour. The quality of flour was reduced by requiring 100 pounds of flour to be made from, I think, 264 pounds of grain, and they said right there that existing contracts "shall be canceled" if they can not be performed with flour then in stock.

The CHAIRMAN. In referring to existing contracts I was a little reminiscent; I was figuring on the old-time basis.

Senator RANDELL. You have described here what seems to be a very real evil. What would you suggest as a method of relieving that evil? I mean this particular matter of the by-product of wheat.

Mr. SMITH. I should strike out that provision about existing contracts; do it to-morrow.

The CHAIRMAN. You say there is a clause interfering with existing contracts?

Mr. SMITH. There is a clause in here regarding flour. When the quality of flour was reduced there was a provision made right here that the existing contracts should be canceled.

Senator RANDELL. You would make that a general provision, paying no attention to existing contracts? Is that the idea?

Mr. SMITH. Yes, sir. These are contracts to do wrong; to evade the law against hoarding; to defeat the agreements made by the millers to get the wheat delivered to them; to exploit the farmer. And it is surprising that all the mills of the country should, without exception apparently, have such contracts.

Senator RANDELL. Would there be any gross injustice in canceling these contracts?

Mr. SMITH. No, sir; not to anybody except the people making the excessive profits, because it would reduce the prices all along the line.

Senator RANDELL. And it would not be unfair to anybody?

Mr. SMITH. No, sir; unfair to no one so far as I can see.

The CHAIRMAN. I do not see how that would affect anybody's rights, Senator, because those who had purchased heretofore undoubtedly would have purchased at a lower price than this; and if we compel them to deliver on the lower basis they could deliver on the lower basis and nobody would have to buy at a higher price.

Senator RANDELL. I was just wondering why the Food Administration should insist on retaining these existing contracts unless there is some valid reason for it.

Mr. SMITH. I think the reason is because the whole wheat business and milling business of the Food Administration is in the hands of the wheat people and the milling people.

The CHAIRMAN. Did you keep up with the investigation lately conducted by the Federal Trade Commission into the millers' profits?

Mr. SMITH. No, sir. I did not.

Senator RANDELL. Who gets the benefit of that provision? The producer does not, does he?

Mr. SMITH. He does not. It must lie between the millers and the wholesalers or jobbers, and to a small extent the retailers. I do not mean the little retailers, I mean the licensed retailers. Most dealers, I think, get mill stuff in car lots direct from the mills, but now through the intervention of a broker.

The CHAIRMAN. What do you suggest, Mr. Smith, as to the general situation?

Mr. SMITH. Something must be done. As to prices, I am very sure the farmers of the country would much prefer to see general and genuine price regulation throughout the whole line of necessities, manufactured articles as well as farm products, and would not ask any guaranty as to wheat. But I can assure you that it would inspire no confidence in the farmer to leave the price fixing to Mr. Hoover. Leave it to the Federal Trade Commission, I would suggest.

As to the minimum price of \$2.50 on wheat, I believe that very necessary to effect greater production this year, because of the unnatural and unjust position in which wheat has been placed and the difficulty of securing in the limited time general price regulation that could have any material effect on this year's wheat crop.

The promises found in the act creating the Food Administration have so failed the farmer that he will not believe in any new plans for price control until he sees them in force.

The CHAIRMAN. Mr. Smith, we promised to hear Mr. Jenkins to-day, and I think he wants to leave. I did not expect that your hearing would take so long a time or I would have heard him first. I believe I shall have to ask you now to give way to him.

Mr. SMITH. I am very willing to do so, Mr. Chairman. I thank you.

STATEMENT OF MR. P. W. JENKINS, CATTLE RAISER, CORA, WYO.

The CHAIRMAN. Please state your full name, Mr. Jenkins, and your address.

Mr. JENKINS. P. W. Jenkins, Cora, Wyo.

The CHAIRMAN. And your business?

Mr. JENKINS. My business is raising cattle on the ranch and range.

The CHAIRMAN. You are a producer and not a feeder. Is that the idea?

Mr. JENKINS. I am a producer of what are usually termed feeder cattle.

The CHAIRMAN. Do you finish them for the market or do you sell to those who do finish them?

Mr. JENKINS. I am not supposed, in the general sense of the term, to finish cattle for the market. But I find that quite a large number of the cattle that I produce when placed upon the market are bought by the packers and evidently put over the block.

The CHAIRMAN. In the business you begin with the beginning?

Mr. JENKINS. I begin with raising calves.

The CHAIRMAN. Now, go ahead and make any statement that you see fit.

Mr. JENKINS. I would say here that I also represent the forest reserve and grazing lands committee of the American National Live Stock Association, and as a member of that committee I am interested very much in the problems that are confronting the user of the national forests.

Although I represent the American National Live Stock Association, I am more particularly interested in the production of cattle in the public-range States. The 13 range States produce 15,563,000 head of the 43,546,000 beef cattle of the Nation.

The CHAIRMAN. Do you mean 43,000,000 beef cattle?

Mr. JENKINS. Yes, sir. According to the census the 1st of January, this year, there are 43,546,000 beef cattle in the United States. I will say here that of 28,546,000 credited to other States a large number of them is raised in these range States and transferred to the Middle West and Eastern States for fattening purposes, so that our ratio in raising cattle is higher than is represented by these figures.

The CHAIRMAN. You would not have any estimate of the number that have been exported from your 13 States to these other States?

Mr. JENKINS. No; not those that are on hand, but I judge that a very large proportion. As I have traveled through the Middle and Eastern States I see a very small proportion of younger cattle, and evidently they are not attempting to raise a great many stock cattle on the high-priced lands of the Middle West and Eastern States.

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Senator RANSDALL. What is the total amount of cattle on hand January 1, 1917, as compared with these 43,000,000 that you say were on hand January 1 of this year?

Mr. JENKINS. I beg pardon?

Senator RANSDALL. The total number of cattle in the country January 1, 1917, one year ago, you say, as compared with the 43,000,000 which you show on hand this year?

Mr. JENKINS. I do not believe I have those figures here. But I will say there has been a slight increase in the number of cattle. (The desired number is 41,689,000, an increase of 4.5 per cent.)

The CHAIRMAN. I think in the neighborhood of a million.

Mr. JENKINS. In the neighborhood of a million, but I would like to remark here, if it is in order, that I believe the number as reported by this census is not as many as really exist. I believe that, according to the figures I have obtained from my own State of Wyoming, there is a greater number of cattle in the country than is believed to exist by the Department of Agriculture. You understand the method of taking the census? It was taken in 1910. They have county reporters report their estimate of the ratio of increase January 1, 1911, multiplying the number given by the census of 1910 by that ratio gives the number of cattle in 1911, and so on it proceeds through the decade. Now, as you near the close of the decade any error in the beginning will be multiplied toward the close of the decade, and I really believe that there is a personal equation in the fixing of this ratio that has reduced the number of cattle theoretically.

The CHAIRMAN. Of course, it is an estimate after all.

Mr. JENKINS. That 43,546,000 does not include milk cattle. I have the total number of those, too, and will submit a complete statement for the record.

The greater portion of this number are unfinished cattle, although of recent years many of these are being slaughtered direct from the range.

(The statement subsequently submitted by Mr. Jenkins is here printed in full, as follows:)

1918.

Stock.	Total number.	Total values.
Sheep.....	48,900,000	\$577,867,000
Cattle.....	66,830,000	3,423,690,000
Horses.....	21,863,000	2,248,626,000
Mules.....	4,824,000	621,064,000
Hogs.....	71,374,000	1,392,898,000
	213,791,000	8,264,145,000

Year.	Milk cows.		Other cattle.	
	Increase.	Number.	Increase.	Number.
	Per cent.		Per cent.	
1918.....	1.7	23,284,000	4.5	43,546,000
1917.....		22,894,000		41,689,000

	1918	1917
Average price milk cattle.....	\$70.50	\$50.63
Total value of milk cows.....	\$1,643,639,000.00	\$1,365,251,000.00
Average price of meat cattle.....	\$40.88	\$35.92
Total value of meat cattle.....	\$1,780,052,000.00	\$1,497,621,000.00
Total value of cattle.....	\$3,423,690,000.00	\$2,862,872,000.00
Total number of cattle.....	66,830,000	64,563,000

Increase during year, 2,247,000; rate, 3.5 per cent.

Mr. JENKINS. The relations of the producer and the feeder are so close that any economic change in the one affects the other. Kill the market for the grain-fed beef, and the raiser immediately feels the loss of a buyer. Cut off the supply of the feeder cattle, and the corn producers suffer a loss.

I wish to speak here more particularly of the production of cattle in connection with the national forest. There are 31,000 permittees of the forest reserve, grazing 2,120,000 head of cattle. Owing to the requirements of the Forest Service, these men live far from railroad facilities. They have few and inferior schools and churches. The altitude is great and the climate rigorous. They enjoy few of the conveniences of higher civilization and endure hardships that would cause the ordinary eastern farmer to hesitate before casting his lot in their midst. For these reasons the permittee has a right to expect even larger rewards for his labors than those allotted his brother in the East. At this time these men are evincing great discontent with their situation, and for good reasons.

The range outside the forest boundaries is held in common without suspension. Feuds arise, some refuse to provide well-bred bulls and a sufficient number; they will refuse to care for their cattle on the range, allowing them to overgraze certain areas, while others are untouched. When outlawed from the national forest they use the other range to the detriment of the permittee in good standing.

Owing to the distance from the great market centers, the cost of placing the cattle on the market and the uncertainty of the market when the cattle arrive add to the cost and aggravate the uncertainty of the situation. Frequently after starting to the road a car shortage will require the stock to be held at a great cost in feed and shrinkage.

The rates of interest on money are high, owing to the inferior improvements and uncertainty of the land titles. Cattle at the best affords a more or less unstable security for loans. The country being new, the population is scattering and the needs for public improvements are great, and as a result taxes are extremely burdensome. Most of the cattlemen have to borrow money to carry on their business and are now heavily in debt; with the uncertainty of war prices and the fortunes of the conflict they are hesitating in their decision as to what to do at the present time.

Out there living costs are far greater than in the thickly populated centers. Wages are high and laborers very scarce. Most of our able-bodied boys responded to the call, and the ranks of labor are depleted. Machinery, tools, and materials here cost more than anywhere else. All these elements make the cost of production of cattle very high, and to-day live stock is being produced at a loss.

I have here included a brief statement of the cost of the 2-year-old, which shows the situation as the rancher sees it.

Now, if you will permit me, I will present those figures: First is the cost of the cow producing the calf. You understand we must maintain a cow for a year to get a calf. Feed for one year, hay, and feeding, \$9.50; fall and spring pasture grazing and range fee, \$16.45.

Now, I have put this purposely low, so as not to show any advantage. I will state here that last year I sold my surplus hay at \$20 a ton, and I have put it in here at \$9.50, which is the actual cost on an average year of producing hay in my country.

Interest and taxes on \$70 cow—that is, using the minimum rates of 8 per cent for interest and 2 per cent for taxes—which is 10 per cent, makes \$7.

Probable loss at 5 per cent, \$3.50. That is the loss of cattle on the range. You understand they wander over an area of possibly 100 miles each way and we lose a great many from poison, predatory animals, disease, wandering, thefts, and so on. Bull, \$2—we are required to furnish registered bulls on the range, and the price of registered bulls at the present time is very high, and as we get a five-year service (after three years we have exchange with a neighboring range); and it costs us \$2 to furnish a bull for a cow, and depreciation on the cow, \$3, making a total of \$31.95; that is, providing every cow produced a calf, but we are getting less than 75 per cent calves; therefore, correcting these figures by reducing to a 75 per cent basis, we get \$42.50.

The CHAIRMAN. What is the cause of that loss—contagious abortion?

ENKINS. No; we are not affected in any way by any of the contagious. We try to meet that. We vaccinate for blackleg. We watch for contagious abortion and try to prevent that. But it is just the natural

law of averages has demonstrated that?

out 75 per cent would be a very good crop of calves.

on basis the cost of a cow from which we get a calf

The cost of a yearling: Feed, for one year, \$10.96; interest and taxes, \$4.26; probable loss, at 10 per cent, \$4.26—of this class of stock we lose a good many more than of the other class—making \$19.48.

Cost of second year: Feed for one year, \$16.45; interest and taxes, \$6.21; probable loss, at 5 per cent, \$3.10, making a total of \$25.96; making a grand total of the cost of a 2-year-old \$87.84; that is, it would be a high average, rather than low.

The average weight of 950 pounds at an average price of 9 cents would make the selling price of that steer last fall \$85.50. That would be a heifer or a steer, because we have to sell a certain portion of heifers. Deducting the cost of marketing, \$7.50, an average from the neighborhood of forest reserves, from the \$85.50, makes the net selling price at \$78, which shows a loss on a 2-year-old of \$9.84. Those figures are just as close as we can compute; that is, counting our irrigated lands as low as \$35 an acre.

The CHAIRMAN. You do not have in there any item for labor and other head charges at all, do you?

Mr. JENKINS. No; except up here in the item of feeding during the winter and in the actual cost of production of hay there is a small item for irrigation. But the general expenses of the ranch do not enter into these figures. They represent just the actual cost, the price that we are paying out at the present time to produce a 2-year-old under the conditions as they exist this year.

(The statement submitted by Mr. Jenkins is here printed in full, as follows:)

COST OF A TWO-YEAR-OLD.

(1) Cost of cow producing calf:

(a) Feed for one year (hay and feeding \$9.50, fall and spring pasture, grazing and range fee)-----	\$16.45
(b) Interest and taxes on \$70 cow-----	7.00
(c) Probable loss at 5 per cent-----	3.50
(d) Bull-----	2.00
(e) Depreciation-----	3.00
	<hr/>
	31.95

Rating at 75 per cent calf crop----- \$42.50

(2) Cost of yearling:

(a) Feed for a year-----	10.96
(b) Interest and taxes-----	4.26
(c) Probable loss at 10 per cent-----	4.26
	<hr/>
	19.48

(3) Cost of second year:

(a) Feed for one year-----	16.45
(b) Interest and taxes-----	6.21
(c) Probable loss at 5 per cent-----	3.10
	<hr/>
	25.96
	<hr/>
	87.84

Average weight 950 pounds. at an average price of 9 cents=\$85.50.

Selling price as above-----	85.50
Less cost of marketing-----	7.50
	<hr/>
	78.00

Loss on two-year-old----- 9.84

Senator GRONNA. Mr. Jenkins, what would be the ratio of cost for a 3-year-old as compared with a 2-year-old?

Mr. JENKINS. As I have not marketed any 3-year-olds for three years, I would not attempt to say, but it was my opinion at the time when I quit raising 3-year-olds that the third year was not as profitable as the first two years. So I cut off the third year and increased my number of producing cattle.

Senator GRONNA. Of course in making this illustration you have given you have taken a steer of the very best grade. It has to be a pretty good steer to weigh the number of pounds that you have indicated.

Mr. JENKINS. They weighed less than that this year, but that was the local condition due to a hard winter and a short season on the range that they weighed less this year. But this is a very good average allowance.

Senator GRONNA. Did you hear the testimony of Mr. Cotton and Mr. Durand to the effect that it is impossible to ascertain the cost, I would say, the way you have given it?

Mr. JENKINS. Yes; I heard their testimony, but I believe it is perfectly possible for a rancher in my country, and I believe of a farmer, to report the cattle cost. I keep books. I know what those costs are. We have to make reports for the income tax, and we must have these figures all before us, and it is a very simple matter of arithmetic to determine what the cost is.

The CHAIRMAN. By taking a large number of instances, then, you could arrive at an average?

Mr. JENKINS. Yes; the large number of instances you have the more nearly, theoretically, you will be to the true cost.

Senator GRONNA. Is it not safe to assume that, as the general thing, those who raise cattle keep books and do know what the cost is to produce them?

Mr. JENKINS. Yes, sir; the most of the raisers of cattle are rather careful in keeping a book account of their expenditures. Practically all the payments made on the larger ranches are made by checks, with the vouchers returned, and they have itemized accounts, besides keeping a book for labor and the yearly account of the increase of cattle. They measure the hay and compute the cost of production pretty thoroughly.

This statement that I have presented here refers to the average ranch in the valley from which I come, and we have perhaps 100,000 head of cattle there.

Senator GRONNA. Mr. Jenkins, you are holding a responsible position. You are the president of the live-stock association.

Mr. JENKINS. No, sir; I am on the executive committee; I am not the president, but I am representing him at the present time.

Senator GRONNA. You are representing him, we will say. Have you been asked to give to this cattle committee or Mr. Cotton or Mr. Durand any information as to the cost of production of range cattle?

Mr. JENKINS. No, sir; I believe not. I have not heard of anyone being asked for that information.

Senator GRONNA. I should have asked you first, have you been asked?

Mr. JENKINS. No, sir.

Senator GRONNA. Do you know of any of your neighbors or any of your people out there who have been asked to testify as to that cost?

Mr. JENKINS. I do not.

Senator GRONNA. If you will pardon the interruption, I want to say I was rather surprised at the statement those gentlemen made, and when I went back to the Senate yesterday I asked Senator Fall, who is also a cattleman and raises cattle on a large scale, and he told me if they will write Mr. M. T. Everhart, Pueblo, Colo., care of the First National Bank, that he will be able to give actual figures for any number of years—20 or 30 or 40 years—as to the actual cost of raising cattle on the range. I simply wanted to add this to show that it is possible to obtain figures and know what the actual cost is.

Mr. JENKINS. Oh, we could name a number of men who could give this information.

The CHAIRMAN. It would be a strange thing, Mr. Jenkins, if any business which had been carried on by human beings for any period of years, taking into account the existing conditions, concerning which there has been kept an accounting, not to have available some sort of a basis so that you could ascertain the cost of production?

Mr. JENKINS. Yes.

Senator RANDELL. Tell me how you get the selling price at 9 cents on 950 pounds. Is that an average selling price of cattle at the present time?

Mr. JENKINS. That was the average selling price at which we disposed of them last fall. I am taking this grade particularly, and that was the average selling price last fall.

I have another matter, if you will allow me, and it will not take but a moment to finish. I would like to call your attention to this: We suffer heavy winter losses, owing to the exposed situation of cattle, the shortage of feed, and severity of climate. In Wyoming, which suffered as little as any of the range States, the loss last winter was 15 per cent or more. The cattle wander over vast tracts of mountain country and many are lost and stolen. We also suffer great losses from predatory animals, chiefly wolves and coyotes.

The forest regulations are such that the tenure of permits is uncertain and liable to change. Permits are issued subject to change each year, most of

them being issued for a year only. This makes money lending and cattle owning a risky business, to say the least.

When you add to these conditions the fluctuating condition of the market, resentment and fear possess the cowman. He is inclined to ship his stock cattle, pay his debts, and "play safe." He feels he has all to gain and little to lose by cutting down the herds to a minimum.

I want to add right here that there is no lack of loyalty among those mountain men. When the call came for volunteers the boys went out from our country to such an extent that we were not struck by the draft. Our quota was filled from volunteers. We have also added some to the next call, and Wyoming, I believe, has shown her loyalty.

The market to-day and for the past few years has been against the better grades of these grass-fed cattle. For example: In 1916 I went with 575 head of "Sixty-seven" and "Seven-bar" cattle to market. I was informed by the commission company that if I had brought butcher stuff to the market I could have received a fancy price. Killers were selling above \$10 per hundred. I sold the top cut of these cattle at \$7.25 and the remainder at \$6.65. When my bills came in I found that most of the stuff had been purchased by the packers and went over the block in competition with corn-feds. Last year matters were even worse.

To make sure that they went into the packing house, I stayed over one day and went into one of the great packing houses and saw my cattle in the chutes ready to be slaughtered.

The CHAIRMAN. And not being fed at all?

Mr. JENKINS. The higher grades of these are sold over the block as butcher stuff and we are paid feeders prices.

The CHAIRMAN. I wish you would define those terms, Mr. Jenkins.

Mr. JENKINS. What feeders are?

The CHAIRMAN. Yes. I want to get it in the record—the classification and the meaning of this classification.

Mr. JENKINS. The cattle that are brought on the market by corn and feed raisers and taken to feed yards are denominated "feeders"; and then, after having been fed a certain period of time, they are denominated "corn-fed" or "fat" cattle, so that in the quotation—

The CHAIRMAN. Butcher?

Mr. JENKINS. Butcher stuff; yes. In the market quotations you will see stockers and feeders quoted and butcher stuff or fed cattle.

The CHAIRMAN. Are the terms "stockers" and "feeders" interchangeable?

Mr. JENKINS. They are frequently used interchangeably?

The CHAIRMAN. But there is a little shade of difference?

Mr. JENKINS. There is a shade of difference, in that the stockers are a lighter grade in weight and are used largely for stocking the range rather than entering the feed lots.

Senator GRONNA. They are not as highly finished on the range?

Mr. JENKINS. No; they are not. It is possible for us, if we could deliver our cattle to the market with what we call the "bloom" on them, as they come off of the range, to compete with the corn-fed stuff, as finished cattle. They are well-bred and everything is in their favor.

The CHAIRMAN. Is there much shrinkage to them?

Mr. JENKINS. The shrinkage from the average of stock ranch in our valley is close to 10 per cent when they are delivered on the market at Omaha or Kansas City.

The CHAIRMAN. That takes the "bloom" off?

Mr. JENKINS. It is not only the loss in weight, but the loss in appearance. The appearance would justify \$2 a hundred better price, and we would get the increase in weight if we could deliver them in that shape, but the cattle really are not hurt to any great extent. Warming them up restores them to their condition, but we can not do that. When we start from the range we must go to the market. I went with a trainload of cattle last year—they were not mine; I was forced to sell mine before I reached the railroad—that were 23 days from the time they left the ranch until they went on the market in Omaha. They were held 11 days at Opal, the shipping point, at a cost of about \$300 a day.

Senator RANSDELL. What was the average loss in weight?

Mr. JENKINS. As they were not weighed before they started for the market it is impossible for me to state.

Senator RANSDELL. It must have been very heavy, however, was it not?

Mr. JENKINS. It was very heavy. That trainload was held over at Grand Island and fed three days in order to restore to a certain extent their former weight.

Owing to the distance from the market, only one shipment is possible and all must go at once; otherwise we could meet the market with smaller shipments of cattle as they are prepared for the slaughter.

The association has suggested a few changes in the laws and regulations that I would like to present at this time:

(a) The permittee should be granted a longer tenure by issuing his permit on the national forest for at least five years, with cuts only on account of injury to the range.

(b) Lands and improvements should be made the basis for a permit.

(c) Some supervision should be exercised over the grazing on public lands outside the forest reserves.

(d) Efficient steps should be taken to exterminate predatory wild animals.

I should say that a good provision has been made this year in the appropriation bill for the work of the Bureau of Biological Survey, and we are very grateful to Congress for recognizing this need.

The CHAIRMAN. Do you think that we could, by appropriating sufficient money, get in there and clean up predatory animals and be rid of them for good?

Mr. JENKINS. I believe, Mr. Chairman, that it would be possible to exterminate practically all of them within a very short period of time with sufficient funds. For my own part I believe that the work being done by the Bureau of Biological Survey is good, and they are coming more and more to understand the situation, and they are accomplishing better results every year; and with the continued support of Congress I think that they will ultimately master the situation.

The CHAIRMAN. Would it be economical to do it as speedily as possible?

Mr. JENKINS. Yes; it would. You understand that we estimate out in our country that the death of every wolf means a yearly saving to the ranchers of at least a thousand dollars. A wolf in his habits kills every other day, and he does not return to the carcass after having satisfied his hunger. In that way there have been instances known in which one wolf has killed as much as \$3,000 worth of cattle in one year. The Bureau of Biological Survey, I believe, killed or caught or poisoned about 180 wolves in the State of Wyoming alone last year. I think I have the figures here as to the full number that they killed during the year in the range States—556 wolves, 22,342 coyotes, 107 mountain lions, 3,053 bobcats, and 60 bears was the toll of the Biological Survey last year.

The CHAIRMAN. And that showed a healthy increase?

Mr. JENKINS. A healthy increase. But when you add to this the large number that have taken the poison bait and died, that the trapper or hunter did not get, the number is almost double. Riding the range almost daily, as I do, I see evidences of his. The coyotes do not bother my business so much, but they are hard on the production of sheep, and as I represent the live-stock association before you to-day, I am as much interested in the extermination of the coyotes as I am in the extermination of the wolves.

The CHAIRMAN. Do you think there is any virtue in the claims that they let loose female coyotes and wolves to get the bounty?

Mr. JENKINS. I do not know. I believe that some trappers might be accused of not exercising as great diligence in catching the females as they might.

The CHAIRMAN. They showed more mercy to the females?

Mr. JENKINS. I should think that professional hunters might.

You see, we pay a bounty in my association—that is, the local association—of \$20 a head for a male wolf and \$30 for a female, and \$10 for a pup, and it is quite a profitable business where a man follows it right along. The trappers for the Bureau of Biological Survey are not allowed to sell the hides. They work on a salary. My association have agreed with the Bureau of Biological Survey that we will go fifty-fifty with them in putting up money to help exterminate the wolves, and I expect to bring the matter up in the State association of my State and endeavor to secure an appropriation from the State legislature by which the State will cooperate with Congress in helping to exterminate these animals.

Chairman, may I ask a question or two?

You may.

Mr. REID. Mr. Jenkins, you were here when this idea of putting a \$1 tax on every dog in the country was raised, were you not?

Mr. JENKINS. Yes, sir.

Mr. REID. Do you think that if Congress would pass such a law that if that money were spent, or even a small fraction spent by the Biological Survey, not by the bounty system—which, personally, I think is the greatest sort of petty graft I know of in those States—they could exterminate a very large number of those wild animals in a short time—such a sum as \$1,000,000 out of \$10,000,000?

Mr. JENKINS. Yes; I spoke of the dog-tax law before the Agricultural Committee in the House, and there expressed my view that after using what is necessary to exterminate the stock-killing dogs and paying the cost of administration, that at least the major part of the surplus should go to cooperate with the Bureau of Biological Survey for the extermination of predatory wild animals. I offered that resolution in the American National Live Stock Association, and it was my view and is my view to-day.

Mr. REID. The American National Live Stock Association, at least, is against the bounty system, are they not?

Mr. JENKINS. I will say their conscience has possibly hurt them, and they have more or less changed their opinion in the last three years, and to-day I might say that the Bureau of Biological Survey is very favorably received by members of the American Live Stock Association.

The CHAIRMAN. They work in harmony?

Mr. JENKINS. They work in harmony; yes, sir.

The CHAIRMAN. Is there anything else?

Mr. JENKINS. That is all I have to say.

The CHAIRMAN. We are very much obliged to you, Mr. Jenkins. The committee will adjourn now subject to call.

(Thereupon, at 12.20 the committee adjourned to meet at the call of the chairman.)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., Saturday, March 30, 1918.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman). Page, Gronna, Norris, Kenyon, and Wadsworth.

**STATEMENT OF MR. ED. C. LASATER, FARMER AND STOCK RAISER,
FALFURRIAS, TEX.**

The CHAIRMAN. Mr. Lasater, will you please state your name and address?

Mr. LASATER. E. C. Lasater, Falfurrias, Tex.

The CHAIRMAN. And what is your business?

Mr. LASATER. Ranching and farming.

The CHAIRMAN. Have you been connected at any time with the Food Administration?

Mr. LASATER. From the latter part of July until November 9 of last year, 1917, I was in charge of the live-stock department.

The CHAIRMAN. The committee, Mr. Lasater, has the food situation under consideration, and we would like to hear you with particular reference to meat, meat production, meat conservation, meat distribution, and so on.

Mr. LASATER. Mr. Chairman, I am going to ask permission of the committee to refer briefly to a statement made here by Mr. Cotton the other day. Mr. Cotton filed with the committee an Executive order by President Wilson to the Food Administration, and in that Executive order this statement is found. [Reading:]

"To find that a just, reasonable, and fair profit is the normal average profit which persons engaged in the same business and place obtained prior to July 1, 1914, under free competitive conditions."

I would like to emphasize that expression, "free competitive conditions." The five large packers are a recognized monopoly. [Reading:]

"To indicate. If he shall see fit to do so, what margin over cost will return such a just, reasonable, and fair profit, and take such legal steps as may be authorized by such act to prohibit the taking of profit."

Mr. Cotton said those were the conditions of doing business under the operation of a fair profit:

"A price which will sustain the industries concerned in a high state of efficiency, provide a living for those who conduct them, enable them to pay good wages, and make possible expansion of their enterprise which will from time to time become necessary as the stupendous undertakings of this great war develop."

It seems to me that the Food Administration in deciding upon the assured profit as between the producer and the packer should have been guided by this definition of the President, and if they had done so they would have come nearer arriving at justice. In the three-year prewar period the producers of meat animals were not allowed a profit by the packers on meat animals marketed. The packers in the same period took enormous profits. From the terms of the packers' license and the results to producers since they were licensed, it would seem the intent of the Food Administration is to perpetuate this condition.

I want to call your attention briefly to page 7, article 2, under the heading "How profits computed," of the United States Food Administration, meat division, rules and regulations. Mr. Cotton, if you will recall, dwelt quite fully upon the packer regulations. I find therein this statement. [Reading:]

"Interest: No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable, or any other interest, for payments or accruals of dividends on any class of capital stock of licensee, or for provisions for sinking funds, nor shall any such payments or accruals or provisions be charged to operating expenses: *Provided*, That any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon."

The packers were licensed on November 1. If the committee will go into it, I think you will find that up to that time the packers' rates of interest paid were under 5 per cent. Mr. Cotton stated the other day that they were around 6 per cent. Now, under the terms of this license, it is not to the interest of the packer, especially as he is largely interested in the banking business, to hold down the rates of interest. He is permitted to charge everything in excess of 5 per cent to expenses. And if you assume that the packer borrows in amounts about equal to his capital stock, which, I understand, he does, then the 4 per cent—the difference between 5 per cent and the 9 per cent that he is allowed to make on all amounts handled, would give him, on class 1, 13 per cent net profit, and on class 2, 19 per cent net profit, according to the terms of this license. I would like to read just one paragraph from an address made by Mr. Cotton before the American National Livestock Association, January 16 of this year, at Salt Lake City. [Reading:]

"I am not talking about a guaranty to the producer of a fair profit every year; and I am not because I know the day in which I talk about that—much as I would like to see it—I have got to talk about a fair living wage for every sweatshop employee in the East and for every cracker in the South, and you gentlemen know that we can not promise that to every part of the country."

Mr. Cotton was not placed in a position to handle either the sweatshop employee or the farmer of the South, but he was placed in a position where he could secure justice for one of the large producing classes of this country—that is, the meat producer. Mr. Cotton, in every talk I have had with him in regard to production, has shown an intentional disregard of the interests of the producer, with a determined disregard of justice for him. After reading the packer's license, that statement can not be made as far as the interests of the large packers are concerned.

You had under consideration, the other day, the cost of production of cattle. I would like your permission, briefly, to refer to that. Referring to the Department of Agriculture's Report No. 111, entitled "Meat situation in the United States," I find that the average cost of a stocker yearling—as shown in table 32, as obtained from 190 farms—was \$53.54, this cost ranging from \$41.15 in South Dakota to \$57.97 in Iowa, or \$58.86 in Illinois. The average feed cost was \$12.32, varying from \$8.04 in South Dakota to \$14.49 in Iowa.

Senator NORRIS. Is that per pound?

Mr. LASATER. That is per 100 pounds. I will not read the itemized statement, it would take too long; but I will read the results. The average weights of yearlings range from 475 to 500 pounds. Taking the maximum weight given, the 500-pound yearling, and the average cost of \$53.54, you will find that

the average cost of the stocker yearlings throughout the corn belt was \$10.70 per 100 pounds for the years 1914 and 1915.

Now, I want to carry that yearling to the 1,000-pound feeder form, which this bulletin enables us to do. In this estimate of the cost of carrying the yearling I take it that you will carry him for 18 months from the stocker form into the feeder form and make a 1,000-pound feeder steer for the Chicago market. I take the cost shown here for carrying the cow. The costs for the cow and stocker steer would not be identical; the cow would consume more roughage, and to make the gain in the yearling steer you would have somewhat more of a charge for grain than in the cow. There would be no great difference between the costs for the yearling and for the cow carried 18 months.

I find that the cost shown here would be \$48.53 for carrying the yearling 18 months; that is, two summer-grass periods and one winter.

The CHAIRMAN. That is not per 100 pounds?

Mr. LASATER. No; that is per head. The average weight would not exceed 1,000 pounds. That would make \$10.20 per 100 pounds the cost of the feeder, as against \$10.70 for the stocker steer. You see, in this feeder steer you have a two season's grazing period, which is much less than carrying him over two winter periods would be. The stocker you carry through one winter and one summer; the feeder you carry through two winters and three summers.

Now, as was shown here, these high-priced feeders were bought at around 12 cents. If you add 25 per cent advance for the last two years—and we know there has been more than that advance in cost of producing cattle in the corn-belt section—you would have a price of better than 12 cents, about 12.80 for your feeder steer. Not many have sold at that, and a great many sold as low as 9 cents on the Chicago market.

I would like to call your attention here to this fact: You will find an apparent antagonism as between the feeders of the corn belt and the producers of the country; that is, the raisers of the animals that they handle.

The CHAIRMAN. That is, the producer raises the stocker?

Mr. LASATER. He raises the stocker. In the decade prior to 1900 stockers and feeders were selling at so low a price that you could not produce them even in the range country at a profit, so there was an undue marketing of mother cows the country over, not only throughout the corn-belt section but throughout the range country. There were hundreds of thousands of cows marketed that brought practically only the value of the hides. Many of them marketed from Texas netted \$5 per head.

In the decade following 1900 there was an appreciation in stocker stuff, but it never got on a remunerative basis until the second decade after 1900. For the eight years behind us, with the exception of last year, the producer of the stocker steer has had the best end of the business. That was due to the fact that while we were cashing our cows we cashed them to such an extent there were not enough cows left in the country to produce stockers and feeders to consume the roughage and grains of the country or supply the demand for meat.

Now, the Department of Agriculture for some years back has been exploiting the idea of "baby beef" as the economical form in which to market beef. I believe that is correct. To carry out that idea it is absolutely essential that we have more mother cows and distribute them better on the farms of the country than they are distributed at this time. It is a fact, as the Food Administration has stated, that a good percentage of the beef of the country is not produced in its most economic form, but that is a situation that has been brought about by circumstances over which the producer has had no control. He has been placed in the situation where he had to do what appeared to be best at the time. There has been a change in the six or seven years prior to 1917, and the cows have been increasing the country over. The country has had the intelligence to plan to put itself in a position to supply the increased demand for beef in the form of baby beef. I want now to show you, by this bulletin, from which I have just read, the cost and the results through these same two years in the production of baby beef.

The CHAIRMAN. Baby beef is sold at what age?

Mr. LASATER. It is sold at from a year to a year and a half old. [Reading:] "The baby-beef animal sold at an average of \$73.45 a head (see Table 43) or \$8.81 per hundredweight. The average price for 1914 was \$72.11 per head, or \$2.20 less than in 1915, the average difference per hundredweight being 18 cents. The selling price varied from \$62.28 per head in Missouri to \$80.28 per head, in Illinois. The aver-

age cost of marketing was \$2.15, making the farm value \$71.30. The average farm profit for the two years was 78 cents per head, or 9 cents per hundred-weight. In 1914 there was a loss of \$1.42 on each baby-beef animal. The baby calves sold in 1915 made a profit of \$2.18 a head, or 26 cents per hundred-weight. These animals generally weighed a little more than did those in 1914, and also brought a little better price."

The profit shown of 78 cents per head does not comply with the President's definition of a fair profit, and is a trifle compared to the packers' profits, either their present profits or their profits before they were placed under Federal license.

Now, for these same two years in which we are studying the cost of stocker and feeder production the Government shows that beef, in its cheapest form of production, returned a profit of 78 cents per head to the producers. That indicates why in 1917 we had such an undue marketing of immature steers and mother cows. The producer commenced to question his judgment in accumulating cows. The increased marketing of over 3,000,000 head in 1917 over 1916 was made up of these two classes. That is shown by the weights on the markets, and it is also shown by the fact that for 1914, 1915, and 1916 the price for canner stuff, compared to previous years, was high, so the country was cleaner of canner stock, common stock, at the commencement of 1917 than for many years. The increased marketing of cattle, therefore, could not have come from any class except immature steers and young cows.

It must be to the national interest to maintain the markets of the country in such a condition as to permit this economic beef, as time goes on, to largely produce the beef supply of the country. If through any agency you hold down the price of stocker and feeder steers you must, as the year 1917 indicates, discourage the holder of the cow, because no man is going to keep the cow unless he can make the cow pay her way and give him a reasonable profit. He can not do that unless the stocker and feeder sell on the markets of the country at a price that will return that profit.

Senator GRONNA. I think it was admitted by both Mr. Cotton and Dr. Durand that there was no profit in the highly finished beef.

Mr. LASATER. They made the statement, Senator Gronna—at least Mr. Cotton did, and he is on record as having made the same statement at the convention at Salt Lake City—that the reason the feeders lost money was because they bought the feeders too high. What I want to show you is that the prices brought by the average feeder steer did not return the cost of production—

Senator GRONNA. I did not finish my question. I was going to ask you to show to the committee if you can, whether or not the price these feeders paid was an unduly high price and whether it has brought the producers of cattle an unduly high profit.

Mr. LASATER. No. Referring again to this bulletin, it shows these cattle could not have been produced at a less cost than they brought on the market. As a matter of fact, when you go below the best grades of feeders, the producers of stockers and feeders took a loss in 1917.

Two years ago, at the El Paso convention of the American National Live Stock Association, Mr. Meeker, speaking for the packers, made the same statement that Mr. Cotton, representing the Food Administration, made in his talk at Salt Lake City this year; that is, that the feeders had laid in their supply at too high a price, and they could not expect any bunch of packers to pay prices that would return them a profit when they considered the prices they paid for their stuff the previous fall.

As shown by these bulletins, in both 1914 and 1915 the feeders took big losses. As a matter of fact, up to date we have marketed three crops and part of the fourth crop of beef cattle since the European war started. Two of those crops, 1914 and 1915, were marketed at a loss. The next season's supply, 1916 and 1917, showed a profit, and up to date 1917 and 1918 show a loss. The condition of the beef market for the past several seasons is one of the reasons why in 1917 you find the big run of immature steers and breeding cows. In the Northwest and the Southwest the drought conditions forced practically half of the excess run in those two sections. The balance of the excess run came from sections well supplied with feed.

Senator GRONNA. Those are conditions, of course, which almost must be taken into consideration in the production of cattle?

Mr. LASATER. I would like to state this: Unless you are going to allow the grower of cattle or the producer of any commodity a price that in a series of years will recoup him for his losses from unfavorable weather conditions, you

unquestionably force him out of business. You must either sell him insurance and allow him to add the amount paid to production cost or allow him to collect a like amount if he carries the risk.

I have some resolutions here that were passed by the Texas Cattle Raisers' Association, which met on March 18 to 21 in Dallas, Tex. I would like to read one resolution on this subject, drawn by the executive committee and adopted by the convention. [Reading:]

"Resolution No. 6. We warn those in authority that we do not think there is in sight an increase of the country's beef supply. The factors working against it are the unprecedented drought, the high cost of all feedstuffs, and the stringency of money and increased rates of interest thereon applied to cattle paper, and unstable and unsatisfactory market conditions. We do not believe the Government authorities have given sufficient study to the producing end of the business, nor do we believe that simply reducing consumption should be the end of effort. We think the Government could do much in the matter of credits and markets."

I would also like to read from the same resolutions, resolution No. 4. It is quite short. [Reading:]

"We recognize the value of the investigation conducted by the Federal Trade Commission and the fearless Francis J. Heney and trust it will be prosecuted to the end, in the hope that out of it may come some relief to the live-stock growers of the country."

Senator GRONNA. Mr. Lasater, did you hear the testimony of Mr. Cotton and also Dr. Durand with reference to the almost impossibility of knowing the cost of range cattle?

Mr. LASATER. Yes; I heard them testify, and I have read Mr. Cotton's testimony.

Senator GRONNA. What have you to say with regard to that?

Mr. LASATER. I think, sir, it is as easily ascertainable as would be the cost of production of any commodity over a great country. Of course you would not have an identical cost in Texas and in Illinois, but you can arrive at the average cost.

Senator NORRIS. As I understand you, that cost has been deduced from this bulletin of the Agricultural Department?

Mr. LASATER. Yes. That is a study made by the Government, and it shows the average of the farms from Indiana to South Dakota. I will say this: Take a series of years prior to the last three. Texas could produce much under those prices, but owing to drought conditions for the last three years Texas has not been able to duplicate those prices. Costs have been higher than those shown for the corn belt. That country to-day is in such a situation that unless rain comes not later than the middle of May many thousands of people will face a loss of their cattle.

I was talking with Mr. Marion Samson, who has recently been appointed on a live-stock committee of the Department of Agriculture and the Food Administration as the representative from Texas. He was telling me of the situation in Tom Green County; he has a ranch located in that county. He said:

"I have feed to carry me up to the middle of April. I can not buy any more feed. It is impossible to buy roughage to ship in. The pastures in Oklahoma and Kansas, which have been the usual outlet for our surplus stock, have been advanced to \$18 a head for summer grazing, and I do not know a pasture that has not been taken even at those prices. So I may be placed in a position where I will just simply have to let those cattle die."

In other words, he knew of no place he could move his stuff to, and he could not command feed after the middle of April. I will say that applies to a section of country larger than all New England. It runs from Houston, Tex., to New Mexico, including a good part of New Mexico. The Panhandle and north-east Texas and north Texas are in a better situation.

Senator NORRIS. For what years were those figures you read from the Department of Agriculture on the cost of production?

Mr. LASATER. They were issued July 1, 1916, and the report is for 1914 and 1915.

Senator NORRIS. Of course, the items of cost would have to be considerably increased to apply to the subsequent years?

Mr. LASATER. Yes. In applying it to the feeder steer of last year I added 25 per cent in the prices I gave you. I think you gentlemen know enough about feed stuffs to know that that is most moderate.

The CHAIRMAN. The prices paid for feeders last fall and the prices paid at that time for the finished stuff held out a hope of reasonable profits, did they not?

Mr. LASATER. It was the widest margin I have ever known since I have been in the business. There was a difference between feeder prices and the prices of finished cattle of between 4 and 5 cents.

Senator NORRIS. And before the cattle were finished that margin was wiped out?

Mr. LASATER. That margin was wiped out.

The CHAIRMAN. The finished cattle sold for about what they had paid for feeders?

Mr. LASATER. Sold per pound at about what they had paid per pound for them.

The CHAIRMAN. Without any sea-level, or yardstick, or any other standard for the measurement of cost of production, how would it be possible to formulate a system of any sort to insure cost of production to the producer, or profit, or anything else?

Mr. LASATER. You have got to establish standards, sir, before you can do it. That is absolutely essential.

The CHAIRMAN. I suppose, Mr. Lasater, you have your statement mapped out in your mind. There is another question I would like to ask you, but I will defer it.

Mr. LASATER. As showing that the policies and practices of Mr. Hoover, as Food Administrator, are harmful to the common welfare I submit the following:

First. His statistics made public in Food Administration Bulletin No. 10, and other Food Administration issues to the public purporting to show the condition of live-stock supplies for the allies, central powers, and neutrals, were grossly wrong in the following particulars:

Mr. Hoover's statistics show a shortage of cattle, hogs, and sheep aggregating 115,005,000. Crop Bulletin of February, 1918, of the United States Department of Agriculture shows an increase of the allies and neutral countries in cattle, hogs, and sheep of 8,849,000, or an increase practically of 2½ per cent since the commencement of war. There are no statistics available for the central powers since the war commenced.

Bulletin No. 721 of the Department of Agriculture shows the prewar aggregate number of cattle, swine, and sheep of the central powers to have been 134,937,000 head. The central powers have been less devastated by contending armies than have the allies. The reasonable thing to expect is that their live-stock production has been affected no more disadvantageously than has that of the allies and neutrals. But estimating that the central powers have decreased their live stock 20 per cent since the war started, that would amount to a shortage of live stock that enters into the European and American meat supply of only 26,987,400 head, which still leaves a shortage to find of 96,865,000, according to Mr. Hoover's estimate.

Russia has not been taken into consideration in the above estimate, because it does not appear that the figures obtainable are reasonably correct, though secured by the Government from the best sources available. The increases shown for Russia in monthly crop report of February, 1918, of the United States Department of Agriculture are 35,064,000 cattle, swine, and sheep, or an increase of 47 per cent since the war commenced; adding this increase to the total supply available for European and American markets, we have an increase of 131,929,600 above the estimates furnished the country by Mr. Hoover. Mr. Hoover could not have had any basis of fact for his statistics given to the public as above outlined. The object of such misinformation was to persuade the producers of the United States of America to increase their supplies of live stock by emphasizing the economic strength of the position of live stock.

Second. Pledging the producers of the Nation cost plus a reasonable profit on fattened live stock, as evidenced by his letter to W. T. Creasy, chairman Federal Board of Farm Organization, which reads:

SEPTEMBER 24, 1917.

W. T. CREASY,

Chairman Federal Board of Farm Organization,

815 Woodward Building, Washington, D. C.

DEAR MR. CREASY: I would be glad if you would bring before your committee the essential necessity for the welfare of our Nation and the democracies of the world that the production of our food supplies be increased. We

have a right to expect, and do expect, that the farmers of America will put forth their best efforts to bring this about.

Should nature favor the farmer's efforts for increased yields, it is the whole Nation's responsibility to see that these yields are conserved to the Nation's benefit and that a fair compensation is returned to the farmer for his labor and capital used in production of food supplies. An abundance of food supplies should not mean their production at a loss to the farmer. While the Government guaranty on wheat assures this production, the stimulation of the production of feeding stuffs and of animal products is of no less, or even more, importance.

The Food Administration intends to the fullest extent of its powers, through the influence of export buying, to maintain a price for animal products that will give a reasonable return to the producer, for it is our conception that stimulation of production is vital to the Nation and must be encouraged in every way. This increase in animal production must be to the farmer's own interest, for a market not only exists to-day for such increase at highly profitable levels, but must continue long after peace is declared, for Europe is being steadily denuded of its animals.

The Food Administration is supplied with the necessary power to prevent any "unjust, unreasonable, discriminatory, and unfair charge, profit, or practice" affecting the welfare of the producer. This power will be used wherever necessary to secure that the grower's products reach the consumer at reasonable and normal cost of manufacture and distribution.

I do hope your council will use every influence in securing the results we so much need. We have ample supplies for our own people; the increase of production is necessary for our allies. They are our first line of defense, and must be maintained.

It also appears to me that the farm-labor problem needs earnest consideration of your committee, for next year's increase of production vitally depends upon securing more adequate labor.

Yours, faithfully,

HERBERT HOOVER.

That is also evidenced by his telegram of October 14 to Mr. L. B. Joseph, of Whitewater, Kans., which reads as follows:

L. B. JOSEPH, *Whitewater, Kans.*:

Reply to your telegram. The Food Administration will take no steps that will jeopardize the interests of the live-stock producers of the country. Our whole aim has been and will be to stabilize prices by eliminating any occasion for rapid fluctuation in price. All the powers committed to our hands will be used to keep the prices at which allied and governmental purchases are made on a plane that will permit a return of the cost of production plus a reasonable profit to the finishers of all meat animals. In our opinion, the best market that will be obtainable for the present corn crop of the country will be by marketing it through live stock. We need an increased production of beef and pork.

HERBERT HOOVER.

In that connection I want to read another telegram—

The CHAIRMAN (interposing). Let me ask you a question there. You heard Mr. Cotton's statement that where they had marketed the corn through live stock it did not bring them as large a profit as where they marketed corn as corn?

Mr. LASATER. Yes; we know that to be true.

If you will permit me, I will read this telegram sent by Mr. Hoover to Mr. J. F. Deems, Federal food administrator of Iowa. This was sent at a time when Mr. Hoover had instructed Mr. Pinchot and myself to go West and get a request from the hog producers of the corn belt to the Food Administrator that the price of hogs on the market be correlated to the price of corn. Before leaving Washington I presented certain memoranda to Mr. Hoover and told him I would like to get that before the corn-belt producers before we left. He said, "I will incorporate that in a telegram to the food administrator of Iowa," which he did. This is the telegram:

SEPTEMBER 28, 1917.

J. F. DEEMS,

Federal Food Administrator, Burlington, Iowa:

I understand the Waterloo Fair will offer an opportunity to reach the Iowa farmers. Messrs. Pinchot and Lasater, of our office, will put themselves in com-

munication with you and will attend, but I would like it if you would yourself convey the following message to the Iowa farmer. Quote. I would be glad if you would present to the Iowa farmers the pressing necessity from a national and war interest of increasing our hog output and at once. Fats have become a vital issue in the world. Iowa, our banner hog-producing State, has fallen behind during the past year because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs.

On the other hand, we will have high prices for animal products, and in face of this national situation it must be my duty to exert my every influence through expert buying and otherwise to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops, and must be to the producers' interest. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is, indeed, a dangerous course: for they are our first line of defense and must be fed, and, again, is a matter of common humanity, for fats are critical to human life. I am, therefore, depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction.

Now, as has been testified here, since this investigation started they have had an improvement in the market price of hogs, cattle, and sheep—a most material improvement.

The CHAIRMAN. Since this hearing began?

Mr. LASATER. Since this hearing began. But up to that time, as shown by the different people who have testified before this committee, heavy hogs were discriminated against.

The CHAIRMAN. And so were heavy cattle.

Mr. LASATER. Decidedly so. But this he specially requested, and both Mr. Pinchot and myself emphasized this to the audiences we addressed. Mr. Pinchot has the memorandum in Mr. Hoover's own handwriting giving us our instructions on that. This telegram continues:

"While I willingly pledge myself to leave no stone unturned to maintain profitable return, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead.

"HERBERT HOOVER."

Senator NORRIS. Would it disconcert you to ask you some questions about what you did?

Mr. LASATER. Not at all.

Senator NORRIS. You and—Mr. Gifford Pinchot, was it, that accompanied you?

Mr. LASATER. Yes, sir.

Senator NORRIS. Went out to Iowa under his instructions?

Mr. LASATER. Yes, sir.

Senator NORRIS. That was when you were connected with the Food Administration?

Mr. LASATER. Yes, sir.

Senator NORRIS. What did you do out there?

Mr. LASATER. We both went first—Mr. Pinchot went over to Des Moines, Iowa.

Senator NORRIS. You made speeches around over the State?

Mr. LASATER. We made speeches at Waterloo, Iowa, at Omaha, Nebr., and Kansas City, Mo. We had meetings of the hog growers of that entire territory.

Senator NORRIS. And you told them what Mr. Hoover outlined in that telegram?

Mr. LASATER. Practically what is stated in that telegram; yes, sir. We emphasized that to the best of our ability.

Senator NORRIS. You tried to get them to put more meat on the hogs, to make the hog bigger?

Mr. LASATER. We did.

The CHAIRMAN. And succeeded?

Mr. LASATER. We did succeed; yes, sir.

Senator NORRIS. These meetings you addressed were attended by men who produced hogs?

Mr. LASATER. Yes, sir.

Senator NORRIS. The stockmen of the country?

Mr. LASATER. Yes, sir.

Senator NORRIS. Were your speeches given circulation over the country through the newspapers?

Mr. LASATER. Yes; they were.

Senator NORRIS. And you came back to Washington?

Mr. LASATER. I came back directly from Waterloo. I addressed two meetings there, one of just hog producers, and another one out at the fair grounds.

Senator NORRIS. They knew you represented Mr. Hoover?

Mr. LASATER. They did. I addressed a conference there at the fair grounds of probably 2,000 people.

Senator NORRIS. And you reported to Mr. Hoover when you came back?

Mr. LASATER. We did.

Senator NORRIS. You told him what you had done?

Mr. LASATER. We did.

Senator NORRIS. Did you receive his approval then?

Mr. LASATER. We did not; he had changed his mind when we got back.

Senator NORRIS. Are you going into that?

Mr. LASATER. I did not intend to go into that just now.

Senator NORRIS. I do not want to interfere with what you have in mind, but I did not want to pass that matter.

The CHAIRMAN. I would like to ask you one question in that connection. Did you go back over the ground and tell them that Mr. Hoover had changed his mind?

Mr. LASATER. No, sir.

Senator GRONNA. Mr. Chairman, may I ask just one question? What was the result to the farmers as to finishing their heavy hogs?

Mr. LASATER. There has been a decided loss in making the hogs heavier. There is no question about that.

Senator GRONNA. Is it not a fact that the farmer was paid a lower price?

Mr. LASATER. Yes, sir; 20 cents, and in some instances more. Instead of receiving, as we outlined to the farmer he would receive, a bonus for making the hogs heavier, he was discriminated against, and they were taken at a lower price.

The CHAIRMAN. I think you heard the statement by Mr. Cotton in which he admitted that the farmer was paid 20 cents less for a heavy hog than for a medium-sized hog?

Mr. LASATER. Yes, sir; that was a fact. Quoting from an editorial in Wallace's Farmer, of March 15:

"For some cash lard, pork, and ribs have been selling at prices which justify the packers in paying \$18.50 to \$20 per hundredweight for hogs. The packers have been buying their hogs at about \$16.25, however, and consequently have been making an excess profit of several dollars per hundred on all hogs bought."

Third; conspiracy to break the cattle market to point below the cost of production.

This is shown by the statement of an allied buyer to Messrs. Pinchot and Lasater on about October 1, that—

"Mr. Hoover had requested him to stay out of the beef market for some days, assigning as a reason that he, Mr. Hoover, thought that the beef market would go cheaper."

It is evidenced by the Dana Durand interview appearing in the Chicago Journal of October 6. Mr. Durand is second to Mr. Cotton in the meat division of the United States Food Administration. This interview in question is in part as follows:

[Chicago Journal, Saturday, Oct. 6, 1917.]

"TEN-DOLLAR AMERICAN HOG IS SOUGHT.

"E. Dana Durand, who was Director of the Census under President Taft, is working in Chicago for Herbert C. Hoover on a job which he admits is harder than taking the census. He is trying to figure out a way to bring \$10 hogs again into being in America.

"To accomplish this without resorting to maximum price fixing or interfering with the operation of the law of supply and demand a scientific scheme of market control is worked out. Instead of being under the direction of the

packers it is to be directed by the Government; to bring the hogs to market in a steady stream instead of an alternate surplus and scarcity is part of the problem. To regulate the price of corn is another equally important move.

"TEN TO ONE IN HOG-CORN RATIO."

"Ten-dollars hogs and \$1 corn is the ratio which is accepted as the one which ought to prevail and which, if it can be restored to the American live-stock market, will mean more toward the happiness of the world than was ever even promised for the magic formula of 'sixteen to one.'"

At this date—October 6, 1917—it was costing the producers more than \$18 per hundred to produce hogs. A deluge of immature hogs and cattle were dumped on markets as a consequence of this interview. The continuance of the conspiracy is further shown by part of the following letter signed by the Cudahy Packing Co. by F. E. Wilhelm, which was read into the record at the hearing before the Federal Trade Commission in the packers' investigation at Chicago March 1, 1918:

JANUARY 18, 1918.

Mr. W. DEISING,
Carc of the Cudahy Packing Co.,
South Side Station, Omaha, Nebr.

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Car, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Mr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were going to be correspondingly short in your branches. This would have a tendency to raise the beef market—which we all admitted—and that in turn the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

This is further shown by a letter from Mr. Hoover to Mr. Lasater under date of December 4, which in part says:

"If you resigned because we stopped meat exports during a short period of acute shortage to our own customers, you now witness a large increase of exports to the allies as the complement of our conservation policy and our desire to support the cattle industry."

This statement from Mr. Hoover confirms the statement made by the allied buyer to Messrs. Pinchot and Lasater previously mentioned. But the Bureau of Markets of the United States Department of Agriculture, monthly report, shows that there was marketed during September, October, and November, 1917, more than 1,500,000 cattle than were marketed during the same months of 1916 and on December 1, 1917, the surplus of beef in cold storage had increased over the same date for 1916 57 per cent, which plainly shows that the "acute shortage" claimed could not have existed. The report of the Bureau of Markets of January 1, 1918, shows 308,675,029 pounds of frozen beef in storage; the report of February 1, 1918, shows 283,671,955 pounds in storage.

The records of the Food Administration show that there was no diminution in consumption of meat for the Nation as a whole during 1917 compared with 1916. The Food Administration, cooperating with the packers, did succeed in breaking the market for beef cattle from September 1 to December 1 about \$4 per hundred. The losses from December 1 to March 6, 1918, average more than \$20 per head on steers marketed.

In that connection I want to read, from the report of the packer investigation, a letter from the files of the Cudahy Packing Co., at Omaha. The object in reading that is to show that certainly the packers are not anticipating that any limit will be put on them as to profits.

Senator GRONNA. What investigation do you refer to?

Mr. LASATER. The investigation by the Federal Trade Commission.

The CHAIRMAN. What is the date of this?

Mr. LASATER. The date is not given here, sir; but it was January 17 or 18, I think. It was early in January. [Reading:]

THE CUDAHY PACKING Co.,
South Side Station,
Chicago, Ill.

United States Food Administration License No. G30318.

Mr. W. DIESING,
Care of the Cudahy Packing Co.,
Omaha, Nebr.

DEAR SIR: Yesterday Mr. Shepard attended a meeting of the packers with Mr. Cotton, and nothing was said about beef.

He says that the other day Mr. Cotton spoke to the five big packers in a very confidential manner, saying that he didn't want this known to the others at all, but that the industrial situation in the Argentine was very much upset, and that freight handlers, employees and all of the packing houses were virtually out on strike and on that account the allied commission would be buying a large quantity of beef for the English mission.

Now, neither Mr. Durand nor Mr. Cotton stated that as the reason for that English order for beef. Mr. Cotton stated it was to relieve the increasing stocks here, but he did not advise this committee that the real reason was that they could not fill the order in the Argentine at that time.

The CHAIRMAN. As I understand Mr. Cotton, he prevailed on the English mission to place this large order in order to steady the market.

Mr. LASATER. He made that statement.

The next letter is dated Chicago, Ill., December 18, 1917; a copy of a letter written by Mr. G. C. Shepard to M. R. Murphy. Mr. Murphy is the manager of the Omaha plant:

CHICAGO, ILL.,
December 18, 1917.

Mr. M. R. MURPHY,
Care of the Cudahy Packing Co., Omaha, Nebr.

DEAR SIR: I attended a meeting at the Food Administration offices, at which there were representatives of three or four of the principal packers. The purpose of the meeting was to discuss the general situation in regard to packing-house products and live stock, particularly hogs. This conference Dr. Durand requested be considered as secret, as they did not want anything to get into the papers in regard to it.

The Food Administration, in view of their announcement some time ago that they would maintain a 15½-cent minimum on hogs, do not want to see the minimum fall below that figure, as it would be very embarrassing to them, in view of all that they have put out in the papers. They have promised us that there will be an outlet for all of our surplus stock, and, while we are badly congested now on account of these delayed foreign orders, they are willing to do anything within their power to expedite the movement of this stuff, so that we can get our money out of the product. They also tell us confidentially that the January allotments will be very large and that there is no question but what they will find a place for all our surplus product, and they assure us they will give us remunerative prices for same. They tell us not to hesitate to buy these 15½-cent hogs, as it will pay us to do so. While they do not want the hogs to go below the minimum of 15½ cents, at the same time it would suit them just as well if we held them down pretty close to that figure. By 15½ cents they mean an average drove of good hogs at Chicago. They do not expect us to pay this price for stags, old sows, pigs, or any off grades, and they expect ordinary differentials to govern between Chicago and outside markets.

I attach herewith a copy of the message just received from Mr. Cotton, who is now in Washington. This is a statement which he has issued broadcast to-day over the various tickers and through the Associated Press to all the newspapers. I think he figures that by the time they get the export orders cleaned up and another allotment made the packers will be in better shape to take care of the hogs than they have been up to date.

A great many of these little packers were disappointed in the size of their allotments. They have a great deal of money tied up in product which accumulated during the six weeks when export shipments were held up, and they are not anxious that the little packers get information on this subject, as they do not want to disturb the live-stock market and want to keep it as stable as possible.

You can see how the Food Administration is holding the scales as between the big packers and the smaller packers of the country. I have read here from two different letters showing that they are discriminating against the smaller packer and in favor of the big packer in giving them advance information.

The CHAIRMAN. It seems there, Mr. Lasater, that they were intending to try to get large orders from the allies in order to relieve the congestion in the hands of the packers, and no suggestion is made about a desire to stabilize the market?

Mr. LASATER. None at all. "Stabilizing," you will find in every instance where it is used in regard to live stock, means a lower price, if you follow it up. I have not come in contact with any place where the word "stabilize" occurred where the market did not go lower.

The CHAIRMAN. That meant there would be less possibility of it going still lower, of course.

Mr. LASATER. Possibly so, sir.

Senator GRONNA. Have you any idea why this secret policy covering these facts should be kept away from the little packer?

Mr. LASATER. Excepting the statement by this Mr. Wilhelm, who states Mr. Durand said he did not want to do anything that would excite the market. I want to read from another letter showing what the packers were doing with these hogs, if you will permit me.

Senator GRONNA. Of course, if he excited the market that did not mean prices would go down, did it?

Mr. LASATER. It meant that prices would go up. The intent was to hold the market steady on the low plane.

The CHAIRMAN. They were trying to tag it at about 15?

Mr. LASATER. Fifteen and one-half.

Senator GRONNA. That would indicate that they had the producer in mind, of course.

Mr. LASATER. Yes, sir.

Senator NORRIS. I am afraid you are getting sarcastic now.

Senator GRONNA. Well, I do not know. That was the statement by Mr. Cotton, that he always "had the producer in mind."

Mr. LASATER. I would like, gentlemen, to read this. It shows the inner workings of at least one of the big packers—the Cudahy Packing Co.:

"OMAHA, NEBR., *January 31, 1918.*

"Mr. G. C. SHEPARD, *Chicago, Ill.*

"DEAR SIR"—

Senator NORRIS. That letter is written by a member of the firm of Cudahy in Omaha to a member of the same firm in Chicago?

Mr. LASATER. This is written by Mr. Murphy, the branch manager at Omaha, to Mr. G. C. Shepard, the general manager in Chicago.

Senator NORRIS. Exactly.

Mr. LASATER (reading):

"With reference to sale of Government extras, would say that I am afraid you sprung the limit on us a little bit. We can take care of 7,000 or, possibly, 7,500 cans daily, but it is going to hustle us to average 8,500 cans. There are days when we can run 4,000 here, but not as a regular thing, and when you take into consideration the possibilities of delays, breakdowns, scarcity of labor, and a dozen other things that we can not foresee, you can see for yourself what a risk we are taking.

"Now, we are going to use every effort to fill this order—working nights and Sundays, if necessary—but I don't believe you ought to have oversold us to the extent you did, especially if there is any penalty attached to nonfulfillment of order.

"I don't know how other packers are fixed as regards putting these goods up, but I know that the patented crispers that we got and expected so much from are not any better than our old ones; at least, up to date they have not been able to do as well with them, and nothing near as well as was expected of them. Again, our smoking capacity, and matters of that kind, have also got to be taken into consideration, and when we give you an estimate we wish to assure you that we practically give you the limit.

"Yours, truly,

"THE CUDAHY PACKING Co.
"M. R. MURPHY."

This is in reply:

CHICAGO, February 12, 1918.

Mr. M. R. MURPHY,
Omaha, Nebr.

MY DEAR MIKE: I received your telegram to-day and also saw the telegram to Bonde and the messages which you requested him to show to Mr. Cudahy.

I presume that it is true that all of us have not been as considerate as we should have been in view of the great strain and the difficulties under which you and all of the superintendents have been laboring since the 1st of January. The whole truth of the matter is, we have nearly bitten off more than we can chew. There never was a time in the history of the business when we have had as good a margin on the hogs for as long a stretch continuously and naturally it has made everyone very greedy to kill every hog they possibly could. I don't suppose any of us have wasted much time figuring out whether we could or could not handle the business when we saw a chance to land a big allotment over at the Food Administration. The main idea that we had in mind was that it was profitable business, and the first thing to do was to take the order and then get through with it some way or other.

Senator GRONNA. This letter is from one of the men——

Mr. LASATER (interposing). This is from the general manager of the Cudahy Packing Co. to the branch manager at Omaha, Nebr.

The CHAIRMAN. He evidently meant that he was going to raise his margin of profits up from the 9 per cent or less, and that the 9 per cent was not very rigid.

Mr. LASATER. When we know that they have made much more than 9 per cent, and he asserts in this letter over his own signature that they had never made such a profit for so long a period it looks to me like they did not think there was any lid on it at all.

The CHAIRMAN. Or else they could have sprung \$15.50 a little?

Mr. LASATER. Yes, sir.

The reversal of the Food Administration's policy of cost plus a reasonable profit to producers was first indicated to the public by a statement made on December 5, in Chicago, to an audience of producers by J. P. Cotton, chief of the meat division of the United States Food Administration, and was to the effect that the Food Administration had allowed the packers a profit ranging from 9 to 15 per cent on their different industries, and that he had deemed these liberal returns justified in order that the packers' credit might be protected. He stated that the producers had no "lead-pipe cinch" on a profit on this season's crop of beef. Called attention to extreme high cost of living, and said, "The consumer must be considered; the producer must remember that we are at war and patriotically prepare themselves to practice self-denial."

Senator GRONNA. Who said this?

Mr. LASATER. That is Mr. Cotton.

The CHAIRMAN. Mr. Cotton said that in regard to meat?

Mr. LASATER. He said that in regard to beef cattle. There was an executive meeting of the American National Live Stock Association, and Mr. Cotton appeared before us to outline the packers' license, and at our invitation. We asked him to come and give us certain information.

Senator GRONNA. Did I understand you to say the packers must not to this?

Mr. LASATER. No, sir; the producers. He told us he had allowed the packers a profit ranging from 9 per cent to 15 per cent.

The CHAIRMAN. That was a "lead-pipe cinch"?

Mr. LASATER. No, no.

Senator NORRIS. No.

Mr. LASATER. When he turns to the producers, discussing our end of the business.

The CHAIRMAN. The packers' side of it?

Mr. LASATER. But he used the phrase "a lead-pipe cinch," referring to us.

Senator NORRIS. The packers should have from 9 to 15 per cent, but the producer must be patriotic?

Mr. LASATER. I want to mention now that when you go into it and ascertain the amount of borrowed money the packer has, and the profit he is allowed to make on that, you will find he is given 18 to 19 per cent return on his capital stock.

Senator NORRIS. And it is evident from Mr. Cotton's own statement that they got more than that?

The CHAIRMAN. The self-denial was that the packers were expected to cut down their profits from whatever it might be to the 13 and 19 per cent?

Mr. LASATER. Yes; any self-denial that they had practiced. But he was at that time when he said "practicing self-denial was in order" applying that to the live-stock producers of the country and not to the packers.

On being reminded that the feeders of live stock were the largest users of credit in proportion to capital of any basic industry, and being asked if he did not think it a national concern that their credit be sustained, he answered, "In a broad way; yes." Then, on being asked if he considered cost of production so that when he priced the packers' products he might know that after the packer got his 9 to 15 per cent profit there would be enough left to reflect back to the producer his cost plus a reasonable profit, he replied, "No; I only look at what the packer pays."

On January 15 he told the members of the American National Live Stock Association, in convention at Salt Lake City, that he would attempt to maintain the beef market at its "present levels."

At present levels. That was at an earlier time, if you recall.

The CHAIRMAN. Was that beef he was talking about?

Mr. LASATER. He was then at that time talking about the market for live cattle.

The reversal of the Food Administration's announced policy of cost plus a reasonable profit to producers of live stock, as above mentioned, took place after a three months' campaign by them, which included August, September, October, 1917, for increased meat production and after approximately 800,000 more stockers and feeders had been taken back to the country from the market centers in 1917 than in 1916.

The bias of Mr. Hoover's mind is shown by the licensing of the various interests, such as the "milling interests," "canning interests," "creamery interests," "milk-condensery interests," "sugar-refining interests," "Chicago packing interests," and leaving them without any supervision that protects the Nation's producers from exploitation, the licensing has affected the cost of living to the consumer in but a negligible amount. In most instances the licensed industry is supervised by men wholly in sympathy with said industry, as evidenced by the appointment of J. P. Cotton and E. Dana Durand to supervise the Chicago packing industry.

Lack of honest publicity affecting the food and feed supply of the country, that would be to the interest of both producer and consumer and inimicable to the exploiting interests.

It is too long for me to go into detail by the simple repeating of food statistics given out by Mr. Hoover as to the food situation last fall. I will make this allusion casually to the cottonseed-cake situation. Cottonseed cake advanced last year, we will say, from about \$37 a ton, 1916 market, up to about the 1st of November, 1917, to \$60 a ton. When I reached Washington, after an absence of two weeks, on about the 7th of November, the feed situation in Texas and all through the drought country was most acute. The market had advanced in the previous 10 days about \$10 a ton, and you could not get deliveries on stuff. I took the matter up at once with the Food Administration on my return, and since leaving Washington, two weeks prior to this time, a Mr. Humphries had been put in charge of the cottonseed division of the feed division of the Food Administration. That division was under the charge of Mark L. Requa, first assistant to Mr. Hoover. I believe that Mr. Cotton is in charge of that as well as the meat division now.

The CHAIRMAN. Is Mr. Requa a producer?

Mr. LASATER. Mr. Requa is a mining engineer, and is not now connected with the Food Administration, but is in the Fuel Administration, in charge of the oil department. But up to, we will say, about December he was connected with the Food Administration as Mr. Hoover's first assistant.

I took it up with Mr. Humphries and explained the situation to him, and he advised me that he was in touch with the situation, and had already thought out plans by which he thought he would be able to cut some of the speculation out of cottonseed products. The following day he submitted to me a telegram that was signed by Mr. Hoover, addressed to Mr. W. S. Peden, food administrator of Texas, in which he instructed Mr. Peden to seize and sell certain seed cake at Galveston, Tex., and Port Arthur, Tex., and he asked I could sell this cake to the live-stock interests. I told him I would. He asked me to take the necessary steps to bring that

about. So I wrote several telegrams to Texas parties asking them to concentrate their orders for cottonseed products on the food administrator at Houston, Mr. Peden. I sent the telegrams up to the telegraph office. About 2 o'clock Mr. Humphries came into my office again and stated that he had been instructed to change the program; that at this time this cake would not be seized; and he requested me to modify my telegrams to conform to the change of plans. I stated to Mr. Humphries that I would not do it, and that I would not send another telegram, as connected with the Food Administration, but that I would tender my resignation at once to Mr. Hoover; and I did.

That same evening Mr. McCarthy was started for Houston, Tex. Mr. Hoover wired Mr. Pryor, president of the American National Live Stock Association to have a bunch of representative cattlemen meet with the cottonseed crushers in Houston at a stated date. Mr. McCarthy was there authorized to represent the Food Administration. The crushers and the cattlemen, backed by Mr. McCarthy, came to an understanding, Mr. McCarthy representing the Food Administration, that the cottonseed cake, 43 per cent protein, should be reduced from \$60, at which it was selling at that time, to \$53.50 at the mill, sacked. That is the price that has obtained throughout the season.

I will state that after I learned that as far as the meat situation was concerned I could have no influence, I did have some hopes of having some effect on the feed situation, and that was the inducement for me to come back to the Food Administration after leaving October 20, but when I saw that the "buck" was simply passed to Houston and from Houston back to Washington, as it had been for months, I made up my mind that the only way to get action would be to quit and make the situation known to the producing interests.

The speculation injected into the cottonseed cake situation affected seriously the cost of production for both meat and dairy products. The Food Administration had been assuring the dairy interests of cheaper feed supplies when the new crops began to move. That brought about, as I tell you, just the procedure I have related here, and that did keep cake from going any higher and reduced it from \$60 to a basis of \$53.50. I will state here that the regulations of the Food Administration only permit mills to accumulate a supply for 60 days. At that date, November 1, Swift & Co. had a 10 months' supply for their mills. If they were forced to disgorge any of it, I am not advised of that fact.

Senator NORRIS. What kind of mills?

Mr. LASATER. Cottonseed mills.

Senator NORRIS. Are the packers in the cottonseed business?

Mr. LASATER. Very largely.

The CHAIRMAN. Are they in the canning business?

Mr. LASATER. Very largely; yes, sir.

The CHAIRMAN. Are they in the banking business?

Mr. LASATER. Very largely.

The CHAIRMAN. When they loan themselves money at 5 per cent and the packers realize 4 per cent, do they, as bankers, realize part of the 5 per cent?

Mr. LASATER. They have a better scheme than that, sir. They are now loaning it at 6 per cent or better, and then they charge everything above 5 per cent to expenses; so they get a whack at it twice.

The CHAIRMAN. What sort of "cinch" were we discussing a while ago? [Laughter.]

Mr. LASATER. A "lead-pipe cinch," as Mr. Cotton puts it.

It is human nature to follow the man that proves himself a man of knowledge. Mr. Hoover has shown himself ignorant of the fundamentals of economic food production. Witness his campaign "Eat no veal, eat no lamb." Such a policy made effective would be as disastrous to the dairy interests as to the meat-producing interests, largely increasing cost of production of both dairy and animal food products.

The CHAIRMAN. Wait a minute. You say that because a great percentage of the veal comes from the male dairy calves?

Mr. LASATER. A large percentage comes from the male calves, but also from a great many female calves that you could not afford to carry on to maturity. They have not the breeding that would justify raising them, and the only place the farmer can get anything out of them is to cash them as veal. As a matter of fact, there are many thousands of calves that never pass to the veal age at all; they simply become fertilizer on the manure pile. That is a condition that can not be changed; it is inherent with the class of stock we are handling in this country.

The distrust of Mr. Hoover's intentions to be fair has now become so pronounced by the producing interests of the country that normal supplies of foods and feeds can not be expected under his administration. A combination of ignorance, duplicity, and misrepresentation can not lead to the production of the "food that will win the war." "Without truth there can be no virtue."

I desire to insert here a part of an editorial in Wallace's Farmer of February 22, 1918:

"The result of the commission's findings, however, has been to cause very great dissatisfaction among the milk producers tributary to Chicago and will in the end create higher prices for milk than the reasonable prices the producers are now asking. More than this, the experience of these men with the Food Administration and the commission appointed by it has been such as to create in their minds a profound distrust both of the administration and of commissions of this sort, a distrust which is being shared by the meat producers of the corn belt, who have suffered so seriously during the past eight months. Having in mind the interests of the country at large, this is a very unfortunate situation."

I will take pleasure in answering any question you have to outline. You wanted to question me along certain lines?

Senator NORRIS. I was going to ask you a little further on the same line upon which I commenced on the hog situation. At that time you were part of the Food Administration, were you not?

Mr. LASATER. Yes.

Senator NORRIS. Who appointed you and what was your position?

Mr. LASATER. I was asked by Mr. Hoover in July to accept the position of advisor on live stock, and I accepted it.

Senator NORRIS. Did you devote all of your time to it?

Mr. LASATER. Yes, sir; I did. And since July I have spent two weeks on my ranch. I live on a ranch in southern Texas, and since I accepted that position I have spent only two weeks there, and the balance of my time I have devoted to the Food Administration. I have devoted as much time to the Food Administration since my resignation as when a member of its staff.

Senator NORRIS. When you came back from your trip to Iowa with Mr. Pinchot and discovered that the doctrine you had been preaching there was repudiated by the Food Administration, what did you do? Did you feel any responsibility that you had been instrumental—

Mr. LASATER (interposing). If you will permit me, I state that in this pamphlet. I cover that ground as fully as I could, and if you will let me I will state it. When Mr. Hoover advised us that he had changed his plans and did not intend to correlate the price of hogs to corn—

Senator NORRIS. First tell me when that was.

Mr. LASATER. That was probably the first day after our return to Washington.

Senator NORRIS. That was the first intimation you had of it?

Mr. LASATER. The first intimation I had of it. I wrote a telegram and took it up to Mr. Hoover, asking him to sign it. I think, sir, that telegram is given here. Permit me to see if I can find it [examining pamphlet], I will state that Mr. Wallace, who testified before this committee, had been cooperating with my department from the inception of my connection with the Food Administration. He was appointed one of what was known as the United States live-stock committee that was created jointly by Mr. Hoover and Secretary Houston. He was chairman of the resolutions committee of that body that met here—I think it was the 5th, 6th, and 7th of September; and he was also here as chairman of a subsequent committee that made a report to Mr. Hoover, which report I would like to file with you after hearing parts of it here.

Senator NORRIS. He is the editor of the Wallace Farmer?

Mr. LASATER. The editor of the Wallace Farmer. Mr. Pinchot and myself had gotten in touch with Mr. Wallace to get together this first assemblage of hog producers at Waterloo. When I realized that Mr. Hoover was not going to take action, I knew that instead of the work that Mr. Pinchot and myself had done being beneficial, that it was going to curtail production, because we had assured the people, and we thought that just as prompt action as possible would be taken that this committee would be appointed by the Food Administration to correlate the price of hogs with corn, and when I realized the fact that it was not going to be done I wrote out a telegram addressed to Mr. Wallace and took it up and

submitted it to Mr. Hoover. My recollection is, sir, that that telegram is here, and I will read it:

HENRY WALLACE,
*Chairman Hog Committee,
 United States Live-Stock Industries Committee.*

Des Moines, Iowa:

I will in the next few days appoint a commission to be known as the live stock and animal food products commission of seven members, who will have supervision of all matters pertaining to production and marketing of live stock, licensed packers, stockyards companies, live-stock exchanges, and commission houses for the sale of live stock. This commission will decide upon the ratio in bushels of corn to be paid for 100 pounds of hog at the central markets. Will appreciate your holding yourself in readiness to consult with this commission on this matter.

The comment of Mr. Hoover upon this message was that he would not place a bunch of country producers in control of the packers. I then handed him a list of names that I recommended for the commission in question, as follows: Mr. Cotton, of New York; Mr. McCarthy, of Wisconsin; Mr. Pinchot, of Pennsylvania; Mr. Gage, of Texas; Mr. Burke, of Nebraska; Mr. Evvard, of Iowa; and a representative of labor union, the biggest-brained man that can be obtained. The interview ended without additional comment on the matter by him.

Under date of October 27 the committee created by the continuous persistency of Mr. Pinchot to have the 100 pounds of hog established in its equivalent of bushels of corn by some authorized governmental agency made its report. Finally, on November 3, Mr. Cotton advised, through the press, that the minimum price of hogs for the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog.

Senator NORRIS. Was that the telegram?

Mr. LASATER. That is the telegram I spoke about asking Mr. Hoover to send to Mr. Wallace.

Senator NORRIS. What was the object of that?

Mr. LASATER. I knew that the Food Administration had to take some action, and that was what I proposed, what I advised Mr. Hoover to do. Mr. Hoover's comment on that was, "I won't place a bunch of live-stock producers in control of the packers."

Senator NORRIS. What did Mr. Hoover say about his changed attitude? What did he say about what he had promised these farmers and producers?

Mr. LASATER. The only thing was that the ratio that they had recommended was too high—14 to 1; that it showed a disposition on the part of producers to exploit the country, and he was not in sympathy with it at all.

Senator NORRIS. Who had fixed that ratio?

Mr. LASATER. Up to that time there was no ratio for hogs, but these farmers recommended a ratio of 14 to 1. That was to secure the increase of 15 per cent in production that the Food Administration said was needed.

You have had filed with you a report of a certain committee that Mr. Hoover later appointed to ascertain this ratio, and later the Food Administration did put the recommendation made in this report partially into effect.

Senator NORRIS. What I am trying to get at is, What explanation was made by Mr. Hoover after you men had gone out under his instructions and told the farmers what to do and what he would do in return, and when you got back he told you that he was not going to do that? What did he say?

Mr. LASATER. Nothing at all. He had then changed his mind and did not think it advisable to get further recommendations from the farmers, and thought the ratio of 14 to 1 showed a disposition on the part of the producers to exploit the country, and that he was not going to be a party to that.

The CHAIRMAN. As I understand it, the theory and the final recommendation were that 12 to 1 was necessary to enable the farmers to come out even, that 13 to 3 was necessary to restore production to normal, and that 14 to 3 was necessary to secure the desired increase of 15 per cent over normal?

Mr. LASATER. I will try to get it into the record just as accurately as I can. Dr. Pearl, as chief of the department of statistics of the Food Administration, had advised Mr. Hoover, and we were advised, that the country would need a 15 per cent over the production of the preceding year; that is, 1916. We were instructed to go west and work for that increased production, not holding it to normal but to an increased production of 15 per cent that would be required.

The mass meeting that Mr. Pinchot and myself addressed, the committee on resolutions recommended a ratio to get this of 14 to 1.

The CHAIRMAN. That was the increase of 15 per cent?

Mr. LASATER. That was to get that ipcrease.

The CHAIRMAN. Over normal?

Mr. LASATER. That was the mark we were shooting at, the increase of 15 per cent. When the hog producers met, they had been thinking of this for some time. They arrived at 14 bushels of corn to 100 pounds hog as the ratio that would bring about that increase.

This committee of experts that Mr. Hoover subsequently appointed made a report, of which this is a correct copy. They found that the average ratio over a series of years—10 years—has been 11.67; the average production cost, 11.99; the average ratio to bring production back to normal, 13.31; the ratio necessary to increase production 15 per cent above normal, 14.31, or 0.31 of a bushel more, practically one-third of a bushel more, than recommended by this bunch of farmers.

Senator NORRIS. Then this same committee that he afterwards appointed made that report?

Mr. LASATER. That same committee made that report some three weeks after that.

Senator NORRIS. Mr. Lasater, there was another thing in your instructions there, as I understand it—and if I am not correct I want to be corrected—about the heavy hogs. We have had a good deal of evidence here about discrimination against the heavy hogs.

Mr. LASATER. I read the telegram here, sir, and after Mr. Hoover made that most plain that it was the desirable thing to do to make the hog carry all the weight he could.

Senator NORRIS. That was one of the things that you and Pinchot did?

Mr. LASATER. That was one of the things we did.

Senator NORRIS. What did Mr. Hoover say when you came back on that point?

Mr. LASATER. That point specifically was not discussed after we came back at all.

The CHAIRMAN. That question arose, I suppose, after the hogs had been made heavy.

Mr. LASATER. Yes; that was not discussed. He just simply took exceptions to the ratio recommended by the farmers, and said he had made up his mind he would take no action at all.

Senator NORRIS. At that time, then, you did not know that later on they were going to discriminate against the heavy hogs?

Mr. LASATER. We did not know it. Of course, it took time to develop that.

Senator NORRIS. And that did not become known until the heavy hogs were made?

Mr. LASATER. We never heard it until after the heavy hogs had been made.

Senator NORRIS. When did you resign?

Mr. LASATER. I resigned on November 9.

Senator NORRIS. How soon after you came back?

Mr. LASATER. You see, I was gone two weeks, from October 20 to, we will say, November 7, and I resigned two days after my return, on the 9th. But that was practically five weeks after this trip Pinchot and myself had made. You see, when I went to Texas Mr. Pinchot remained in charge of the livestock division here.

Senator NORRIS. Was that one of the reasons why you resigned?

Mr. LASATER. That is one of the reasons why I resigned. When I got back Mr. Pinchot had resigned. He finally had it up with Mr. Hoover, and found that he could not get action, and resigned while I was away; and this hog situation is what brought about Mr. Pinchot's resignation.

Senator NORRIS. You felt that the Food Administration was using you as an instrumentality to practice some deception on the producers of hogs?

Mr. LASATER. There was no question about that, and there was no question but that the Food Administration was using me, certainly as far as cattle were concerned, to get all the cattle possible in the feed pen, and I realized by that time that the Food Administration had practically adopted, as far as the producer and the packer were concerned, the packer's side of the question. That was perfectly evident to me, and I could not escape that conclusion. The pack-

er's viewpoint, as demonstrated by his actions for years, can not be to the Nation's interest.

Senator NORRIS. The situation, reduced to a nutshell, was that you resigned because you felt that the Food Administration had taken the packer's view, and was protecting the packer but not the producer?

Mr. LASATER. Yes; and I would state it even broader than that, Senator Norris.

Senator NORRIS. State it.

Mr. LASATER. I resigned because I was convinced that Mr. Hoover had converted the Food Administration, which was created to eliminate exploitation as between the producer and the consumer, as a means of really taxing the producers of the country.

Senator NORRIS. And not benefiting the consumer?

Mr. LASATER. Hardly in the slightest benefiting the consumers of the country. The milk situation is as bad or worse than the beef condition. I would like just a few minutes on that, Mr. Chairman, if you will permit me.

The CHAIRMAN. Yes, sir. But, before you pass to the milk situation, has Mr. Hoover got representatives of the packing houses connected with the Food Administration?

Mr. LASATER. Yes; representatives of the packers.

The CHAIRMAN. Do you know who they are, or anything about them? If not, you need not go into it.

Mr. LASATER. Some of them I do. I do not know all of them, but I do know some of them. H. B. Collins, assistant chief of the division of coordination of purchases for Mr. Hoover, salary from Swift & Co., \$10,000 a year, pay collected to March 2, 1918. This was put into the record in Chicago at a recent date. It is the Federal Trade Commission's report. I think it was about the 1st of this month, although I have forgotten the exact date. There is also E. O. Heyl, member of Hoover board, on Libby, McNeill & Libby pay roll at \$9,000 a year; pay collected to February 16, 1918.

The CHAIRMAN. Is Libbey, McNeill & Libbey a subsidiary?

Mr. LASATER. It is a subsidiary of Swift & Co.

Right there, gentlemen—

Senator NORRIS (interposing). Are there any more?

Mr. LASATER. Oh, yes; F. S. Brooks, member of Hoover board, formerly in charge of stockyards interests of Swift & Co., on pay roll at \$9,000 a year.

Senator NORRIS. What pay roll?

Mr. LASATER. The pay roll of Swift & Co.

The CHAIRMAN. What do they get from the Government?

Mr. LASATER. I do not know, sir. I think he is probably a dollar-a-year man.

The CHAIRMAN. That is a new brand?

Mr. LASATER. I was one of the dollar-a-year men also, Senator. W. F. Priebe, head of the poultry and egg division, Hoover food board; on Priebe & Co. pay roll at \$275 a month plus 25 per cent of profits after 7 per cent is paid on capital invested. This W. F. Priebe & Co. is a subsidiary of Swift & Co.; they own 100 per cent of the stock, as I understand it.

The CHAIRMAN. Seven per cent seems to have been the prevailing rate of profit before this new arrangement?

Mr. LASATER. Yes, sir. I will state that Mr. Brooks I have known for many years.

The CHAIRMAN. Is he the man who laid the embargo on hens?

Mr. LASATER. No; Mr. Priebe laid the embargo on hens, and he is the man who caused the unloading of the 1916 pack of poultry, and it was done in such a way that practically a very large per cent of this stuff had to be sold to the big packers. They had the only cooling establishments where it could be transferred, and they bought it.

The CHAIRMAN. Bought what? I do not catch the point.

Mr. LASATER. Bought the pack of 1916 that was in stock.

The CHAIRMAN. Who bought it?

Mr. LASATER. The large packers.

The CHAIRMAN. Bought it from whom?

Mr. LASATER. From the smaller packers, who were holding a large part of this stock.

The CHAIRMAN. I had a letter from a farmer—of course it may be just a matter of suspicion—stating that he thought this embargo on the sale of hens is intended to have the effect of allowing the storage people to unload their stocks, as they had no competition.

Mr. LASATER. I have had this other view. I want to state that I am not a poultry man. But it has been the custom for years to market for a certain Jewish feast—is not that feast just passed behind us now?

The CHAIRMAN. There is one around Easter.

Mr. LASATER. There is a large demand for poultry for that purpose, and these hens are fatted for that particular Passover feast.

When you prohibit the slaughter of these hens for that purpose—you know an old fatted hen does not lay; she has passed the period of usefulness. That forced these farmers to carry these hens beyond the time of the usual marketing, which under the very high cost of feed is considerable, and then the packer gets them at about 50 per cent of what they would bring now, for this particular demand, if carried over to the 1st of April, after that demand has passed.

Senator NORRIS (interposing). Do you mean by that when the market for hens is destroyed that the packer can buy them at his own price, because he has storage facilities to keep them; is that the point?

Mr. LASATER. For instance, take the independent packer; he uses the public storages. This stuff had to be moved out of the public storages, as I understand it, according to the order issued by the Food Administration. Then the packer, who, we will say, has his cold storage in all the consuming centers of the country where he can carry one or two cars of this kind of product, are the only people in position to handle this; that is, the big packers.

Senator NORRIS. To buy it?

Mr. LASATER. To buy it; and they distributed it around in their various cold storages. They do not use the public cold-storage houses, you understand.

The CHAIRMAN. They have private ones?

Mr. LASATER. They have private ones; and so, practically they bought the 1916 pack, which, I understand, is just as good for six months longer, at a reduced price, in that way.

Senator NORRIS. What I am trying to get at is: The market was destroyed when this hen order was issued?

Mr. LASATER. Yes.

Senator NORRIS. And the people were not buying chickens? Is it the idea that people had their hens all ready for fattening and then were unable to market them?

Mr. LASATER. They could not sell them to the market.

Senator NORRIS. Would have to sell to the packers?

Mr. LASATER. They did not sell them at all; they are still carrying them over, my understanding is, till the 1st of April.

The CHAIRMAN. I think it was the 15th of April.

Mr. LASATER. I am advised it was the 1st of May.

Senator NORRIS. Where did the packers make anything out of that hen order, then?

Mr. LASATER. Here is where I understand lies the complaint the country had: These hens ought to have been marketed, we will say, several weeks ago. They are forced to carry them over. The difference between poultry prices, we will say, in May and what they were at the time this order went into effect, is probably anywhere from 10 to 15 cents a pound; so they practically will have a chance to put into storage these hens at lower prices.

Senator NORRIS. Later on?

Mr. LASATER. Later on.

The CHAIRMAN. And in the meantime get rid of what he had in storage during the time the live stuff is not coming into the market?

Senator NORRIS. He can not sell this in storage for any higher price and can not eat them?

Mr. LASATER. He can eat those in storage.

Senator NORRIS. He can?

Mr. LASATER. Yes; I think so; but he can not eat the fresh poultry.

Senator NORRIS. Before you forget it, did you get through with those names? I want to have all of those names in the record together.

Mr. LASATER. I want to read something in regard to Mr. Heyl.

Senator NORRIS. You were reading the names?

Mr. LASATER. I read the bunch, sir.

Senator NORRIS. All I wanted to know was whether you were through with them?

Mr. LASATER. All that I know of.

In regard to Mr. Heyl, I would like to read this; it will give you a line on him. He is the man I read about as being on the Libby, McNeill & Libby pay roll at \$9,600 a year, and being paid to February 16, 1918.

The CHAIRMAN. He has quit, has he?

Mr. LASATER. I do not know. No; I think he is still connected with the Food Administration; that is my understanding, but that he would not be on the pay roll of Swift & Co. from now on.

The CHAIRMAN. Oh, I see. As I understood it, they were no longer to enjoy the benefit of him.

Mr. LASATER. I want to read part of a letter to Mr. Heyl, who at that time was with the committee on supplies, advisory commission, Council of National Defense. This letter is signed by Admiral McGowan, Paymaster General of the Navy. I will only read a small part of it, as it is a long letter. It is dated July 31; that is shortly after his coming to Washington last summer. You see, he went from this position to the Food Administration:

"Why should the red meats be so carefully conserved when poultry is so plentiful?

"Is it not in fact because there is, as you say, something like five times as much poultry in storage now than there was a year ago; and is not this big oversupply on hand because these same poultry dealers have run the price up so high that it was beyond the average man's purchasing power?

"Will not this surplus of poultry disappear just as soon as its price gets down anywhere near what it ought to be, or, stated differently, was it not an expectation of the unearned increment on poultry rather than an overdemand for red meats that caused this very large surplus to accumulate?

"In so far as the comparative prices are concerned, I have not been able to find where at the present time poultry is cheaper on the average than red meats. Surely it is a law of supply and demand that poultry will be very soon much lower than it is now if there is such a surplus held in storage, because, unless I am misinformed, there is a legal time limit on how long anybody can keep poultry frozen, and, unless I miss my guess, it is much more the time limit than any possible idea of conserving red meats that has caused these poultry people to try to get you to get me to change the Navy regulations.

"As I shall presently endeavor to make plain, I am not prepared to admit that bearing down hard on one kind of meats and easing up on certain others constitutes conservation in fact; but I do say that all our poultry friends need to do is simply to offer their stock for something like the price at which it was held before this surplus began to accumulate and then they will see the alleged disparity between the visible supply of poultry and red meats will promptly disappear, because the average American citizen can then afford to eat poultry, which, obviously, he can not do now."

(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 1.45 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to the taking of recess.

STATEMENT OF MR. E. C. LASATER—Resumed.

Mr. LASATER. Mr. Chairman, I read to you that letter from Admiral McGowan to show that very promptly after Mr. Heyl got to Washington he was endeavoring to serve the packing interests. That was my object in reading that. I want to read one more paragraph from that letter.

Senator PAGE. Who is this you are speaking of?

Mr. LASATER. Mr. Heyl, now with the Food Administration. He was at that time with the committee of supplies, of the advisory commission, Council of National Defense.

Senator PAGE. And you raise the question of his sincerity in his actions?

Mr. LASATER. I do; yes, sir.

The CHAIRMAN. Was he formerly with one of the packing houses?

Mr. LASATER. With Swift & Co. [Reading:]

"In so far as pertains to the possibility of changing the Navy Regulations so as to make a market for the surplus poultry, I certainly will do no such thing, unless, of course, so directed by competent authority. The Navy ration has been established along entirely different lines and can not, in my opinion, be suddenly changed on any such grounds."

That is a very long letter; and while it is worth while, I will not stop to read it now.

The CHAIRMAN. Will you append it as an exhibit to your statement?

Mr. LASATER. Yes, sir.

(The letter referred to is printed in full following Mr. Lasater's statement.)

Mr. LASATER. I want to read here a brief statement made by Mr. Hoover before the Committee on Agriculture of the House of Representatives recently, February 11. I read this that you may apply it to what has been shown here before this committee by Mr. Cotton's testimony, by Mr. Durand's testimony, and other testimony that this committee has heard [reading]:

"Mr. HAUGEN. In connection with the question asked by Mr. Young as to the fixing of prices, what was done about fixing the prices of meats?

"Mr. HOOVER. Nothing. There has been no price fixed in the meats in any form, with a partial exception, and that is that we assembled a representative committee of hog producers and asked them what sort of a minimum basis for hogs, assuming that we could effect some sort of a minimum guaranty or assurance, would stimulate production. The fat supplies of the Nation are just as vital as the breadstuff supply. That committee recommended to us that if we could maintain a minimum of \$15.50 at Chicago on hogs, that such a minimum would stimulate production. We replied to the hog-growing community as a whole that we would use the allied purchases of pork products, which represents 10 to 15 per cent of the total production, to maintain that minimum, so far as we could. We have done so with some difficulty, because the run of hogs in December and January is always larger and the price usually falls and rises to higher prices later."

That, if you recall the testimony that has been adduced here, is not a statement of the fact. No committee of producers recommended a minimum of \$15.50 on hogs. The committee did suggest a minimum of \$16 per 100 pounds for hogs. As a matter of fact, what the Food Administration did was this: They made that a basis price. The hog producers asked for a price of \$16 as a minimum, and also that the price on hogs be correlated to corn on the basis of 100 pounds of hog to 14 bushels of corn to get the 15 per cent increased production that the Food Administration was asking the country for.

Senator PAGE. That would mean \$21 or \$22, would it not?

Mr. LASATER. If corn is a dollar a bushel, it would mean \$14.

Senator PAGE. I mean on the basis of present prices.

Mr. LASATER. On the basis of present prices it would. I am sorry you were not here, Senator, when I referred to this before, but the recommendation of the hog committee appointed by Mr. Hoover shows that the recommendation of the mass meeting of hog producers was most conservative. This committee of experts was appointed by Mr. Hoover to devise different ratios to bring about certain results, and this, briefly, is their report:

"This (11.67) represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hogs."

Senator PAGE. That is 11.67 to 100 pounds—

Mr. LASATER. That is 11.67 bushels of corn to 100 pounds of hog. In other words, they were trying to correlate the price of hog to the price of corn. That is what this commission found. [Continuing reading:]

"This ratio (11.99) represents approximate production costs."

That is, over a series of 10 years it had cost the country 11.99 bushels of corn to produce 100 pounds of pork. [Continuing reading:]

"This (13.31) represents ratio necessary to bring production costs."

The CHAIRMAN. It was thought to be below normal at that time?

Mr. LASATER. It was thought to be below normal, so they recommended a ratio of 13.31 bushels to bring it back to normal. [Continuing reading:]

"This (14.31) represents the ratio necessary to increase production 15 per cent above normal."

That is what the Food Administration advised the producers would be needed to furnish the country's needs.

This meeting of swine growers, that has been mentioned several times before this committee, recommended a ratio of 14 to 1. To get this increase of 15 per cent this expert commission appointed by the Food Administration recommended that the ratio be fixed at 14.31; that is, three-tenths of a bushel more than the swine producers in mass meeting had recommended.

Senator NORRIS. And that had been turned down, as I understand it?

Mr. LASATER. That had been turned down. I will say that Mr. Cotton later partly put into effect the recommendation of this commission. It was not put into effect until after the resignation of Mr. Pinchot from the Food Administration, who had been instrumental in attempting to get increased production from the hog growers of the country.

Here is another report that I will read from only briefly. This is a report of certain members of the live-stock industry committee made to Mr. Hoover when he had them come here to discuss the packers' licenses. I will just read a paragraph or two from it [reading]:

SEPTEMBER 18, 1917.

"The undersigned members of the live-stock industry committee, having been called to the office of the Food Administration and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

"We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely prefatory. Rules governing it should provide:

"1. For a system of accounting with the individual plants which make it possible to determine their actual profits.

"2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government, and given to the public as nearly contemporaneously as possible with the transactions to which it relates."

We thought, and I still think, that the packing industry will never have supervision that means anything until those provisions are put into effect.

The CHAIRMAN. What is that you are reading from?

Mr. LASATER. The report made by this live-stock industry committee that Mr. Hoover appointed.

The CHAIRMAN. I suggest that that be attached to your statement.

(The report referred to is printed in full following Mr. Lasater's statement.)

Mr. LASATER. Mr. Wallace was acting as chairman of this committee. The Department of Agriculture and the Food Administration created what they termed the "live-stock industry committee," which met here the 5th, 6th, and 7th of September. From that committee was created a subcommittee of five, which Mr. Hoover called together to have them express their opinion on the packers' license system. This is the report and the recommendations of that committee on the proposed packers' license, none of which was adopted by the Food Administration.

I would like to touch briefly, Mr. Chairman, on the milk situation, with your permission. On October 20, 1917, Mr. Hoover stated to me that he had in hand a report from a certain commission he had appointed showing cost of milk production. He stated he did not deem it advisable to publish same, "because the costs shown justified the prices the producers were trying to obtain for their product."

The CHAIRMAN. I want to hear you on that, and then, briefly, on the "meatless" days.

Senator NORRIS. I should like to hear him also on the packers. Mr. Lasater has a good deal of knowledge on that subject.

Mr. LASATER. I would like to deal with this subject and read some letters that were read before the Federal Trade Commission, and then I shall be glad to answer any questions you may ask.

I have here a copy of a letter addressed to Mr. Herbert C. Hoover, United States Food Administrator, under date of November 21, 1917, by Milo D. Campbell, president of the National Milk Producers' Federation.

Senator PAGE. Before you continue, will you please state the purpose of reading that?

Mr. LASATER. The purpose is to show that the Food Administration has never at any time given the producer any consideration, but has at all times given consideration to the agency that handles the producers' products.

Senator PAGE. Whom do you especially represent here? Are you the official head of one of these organizations?

The CHAIRMAN. You were not here, Senator Page, when Mr. Lasater began. He is a large cattle grower from Texas.

Senator PAGE. Oh, you are personally a producer?

Mr. LASATER. I am a producer; yes, sir.

The CHAIRMAN. And he was associated with Mr. Hoover for a while.

Mr. LASATER. I was asked by Mr. Hoover in July to take the position of live-stock adviser to the Food Administration. I acted in that capacity for something like three months, and resigned.

Senator PAGE. I am sorry I had to interrupt you.

Mr. LASATER [reading]:

WASHINGTON, D. C., November 21, 1917.

Mr. HERBERT C. HOOVER,

United States Food Administrator, Washington, D. C.

SIR: On November 8 the following order was made by the War Trade Board, purporting to have been made at the request of the United States Food Administration:

"The War Trade Board, at the request of the United States Food Administration, on November 8, 1917, announcing the following additional regulation to govern the exportation of condensed milk:

"No license shall be granted for the export of condensed, canned, powdered, or other form of preserved milk, unless there shall have been filed with the Bureau of Exports a certificate of the manufacturer stating that such milk has been sold directly to the exporter and for export purposes; or unless compliance shall be had with such other regulations as may be determined by the Food Administration.

"In order to secure a license, the exporting concern must procure from the manufacturers and file with the War Trade Board, a certificate setting forth that the milk was sold direct to the exporter and for export purposes, and that the raw milk from which the finished product was made was purchased at prices no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated."

In other words, the producers of milk were put in such a position that they had to take whatever the condensories offered them for their product. The condensories were not authorized to sell for export purposes at any given price or any given profit. The ceiling was off, as far as that was concerned, but they had to certify that they had bought the milk at no higher price than was obtaining in the community in which they bought it. Largely, it was a noncompetitive system. It practically put the condensories in a situation where they could price the milk and take it.

This argument is very full and very long, but it is pertinent to the point.

Senator GRONNA. May we have that printed in the record, Mr. Chairman?

The CHAIRMAN. Yes; I think it may be desirable.

(The letter referred to is printed in full following Mr. Lasater's statement.)

Senator PAGE. Your claim I understand to be that this order that you should pay no more than those who bought for condensing purposes——

Mr. LASATER. It had the effect, sir, that the producers of milk had to take whatever price the condensories made up their minds to allow them in their several communities.

Senator PAGE. You stood, then, on a par with them?

Mr. LASATER. No, sir; there was no attempt made to limit the profits made by the condensories. It did not react to the profit of the Government in any shape or to the producer.

Senator PAGE. But you were permitted to pay just as much as your competitors paid. Why did you need to pay more?

The CHAIRMAN. I do not think that is quite the point. The condensories were not allowed to pay for this milk which they condensed for export more than they paid for milk for domestic purposes.

Mr. LASATER. It would have this effect, Senator: These condensories have been built largely since this war started at various points throughout the country. They have been able to go in and buy on a competitive basis with various other institutions. Now, there have been certain commissioners appointed by the Food Administration to ascertain the cost of milk in various sections of the country. The idea of the milk producers—as you will see if you read these briefs—is that they feel, if they are to have a price fixed to them, that some agency of the Government should be the responsible party, and that that power should not be put in some private agency. That is what they asked for, that the Food Administration pass upon the prices they are to be paid and state what is an equitable price, and not tie their hands so that they have to sell at the price the party who handles their product may see fit, through collusion, to pay them.

Senator GRONNA. In other words, these men are able to pool and pay just an agreed price, which of course is a violation of the Sherman antitrust law.

Mr. LASATER. Let me tell you what is taking place with the packers, with the millers, with the canners, and with the condensories. Even before the licenses were issued these various businesses were permitted to pool, by having what they termed a "representative" of the Food Administration, appointed to sit in with them. For instance, Mr. Harry Wheeler, United States food administrator for the State of Illinois, was appointed to sit in with the Chicago packer prior to the time of the license.

Senator GRONNA. If you will pardon me, I think this was very thoroughly explained by Senator Reed. It is exactly the same plan that was used in controlling wheat.

Mr. LASATER. Exactly the same.

Senator GRONNA. Mr. Barnes used this same method in controlling wheat through the license system. Most of us, I think, heard a portion of Mr. Barnes's speech read by Senator Reed, a speech which Mr. Barnes made in the city of Chicago. He was telling how he looked through the law to find some provision of the law whereby he could absolutely control a pooling system, and he found it in the license section. This, of course, is worked out under that same section.

Mr. LASATER. It applies to all the industries that are licensed.

Senator PAGE. Do you claim this has resulted in reducing the price the farmer receives for his milk?

Mr. LASATER. Yes, sir.

Senator PAGE. And that is the main point to which you are addressing yourself now?

Mr. LASATER. That is the main point; yes.

The CHAIRMAN. That happened in the vicinity of Chicago to such an extent that they butchered a great many of their dairy cattle.

Mr. LASATER. They have done that; yes.

Senator GRONNA. May I make just one comment in reply to Senator Page's statement? There has been no price fixed by the Government or by the Food Administration guaranteeing the milk producers any price. I think we must all concede that is treating the milk producers even worse than the wheat producers, because it leaves it absolutely in the hands of these men who are to buy this particular product with no minimum whatever. You might just as well tell them to fix an arbitrary price.

Mr. LASATER. That is exactly what it amounts to.

Now, I would like to read this letter addressed to Mr. Herbert Hoover, United States Food Administrator, from Milo D. Campbell, president of the National Milk Producers' Federation.

Senator PAGE. This is his complaint to Mr. Hoover, that the milk producers are not receiving justice?

Mr. LASATER. Yes. This is on a different phase of it. This is under date of February 21, 1918 [reading]:

To Mr. HERBERT HOOVER,

United States Food Administrator.

SIR: I am just in receipt of a copy of the new regulations governing licensees manufacturing bakery products.

I have been examining with reference to the use of milk, and find rules to be more liberal in permitting "the use of milk in any form or in any quantity."

I want to express my appreciation of this, both personally and in behalf of milk producers, whose market is thereby widened to some extent.

Rule 8, however, contains one condition that I am unable to understand and which I beg to have some of your advised appointees, having charge of the matter, explain.

I have had no word, letter, or communication bearing upon the same, and my construction of the limitation imposed may not be warranted. The rule reads as follows:

"The licensee in making bread or rolls may use milk therein, in any form or in any quantity, except as the amount of added sugar is limited by rule 4, provided that the price at which he sells such bread or rolls is no greater than the price at which he sells bread or rolls made without milk.

"The licensee shall not label, advertise, or sell any bread, or milk, or cream bread, nor shall he advertise that any bread contains milk or cream."

I have italicized the portion of the rule that mystifies me.

It seems to me contradictory to all precedents in our food and drug laws, to all preconceived notions that we have had as to open dealing with the public, that I can not understand the restriction which prohibits the baker from telling the public the contents of the loaf he is selling, so long as it complies strictly with the requirements of the Food Administration.

In the State of Michigan the dairy and food commissioner is educating the public to the use of skim milk in bread making, as both a conservation measure and in the interest of better bread.

The commissioner says that 58 per cent of the whole milk of Michigan is used for butter making, and that after the butter fat has been removed more than half of the food value of the whole milk (the skim milk) is almost wholly wasted for human food by being used for hogs and calves. That sixteen times as much food value for the human being could be conserved by using the same in bread making.

That 118 pounds of skim milk could be used with a barrel of flour, or 0.416 pound to a loaf of bread.

That this could be added to bread at an additional cost to the baker of but \$0.0043 per loaf, at the same time giving to the farmer \$1.65 per hundredweight for skim milk delivered at the bakery. That such bread would contain 70.7 more calories of food per pound than bread without the use of such milk.

The efforts of your administration have borne splendid fruit in the matter of food conservation, and it would seem, and I think without undue selfishness, that this by-product, skim milk, indorsed for its food value by every dietitian and food scientist in the world, should be of sufficient value to warrant attention by encouraging its use and thereby preventing its present waste.

I fear that the hobbles placed upon the permission to use skim milk, or milk in other forms, will nullify the permission entirely. It will, of course, cost the baker, who uses milk in bread, more to make a pound loaf of bread with milk than with water. If he is to be prohibited from selling his loaf with the information that it contains milk, if he can not tell the truth about the product of his bakery, if he is to lose his license for giving to the public a better, more nutritious loaf than one made with water, if this condition is to prevail. I can not as yet see what advantage has come to the baker, the public, or to the consumer by this changed rule.

It seems to me upon the surface that the rule commits suicide and discriminates clearly against the farmer, who would be pleased with the added market for this surplus product.

There is no other such provision in the rules. So long as the baker follows the proportions with wheat and other flours in the amount of sugar used, etc., he is not restricted in his advertising or sales.

He may use as substitutes for wheat flour 27 other flours; he may use potatoes, nuts, seeds, spices, eggs, and is not prohibited from telling the public through advertising nor from selling his baked goods for just what they contain.

Perhaps the advocates of this seemingly discriminatory provision will be willing to advise me or set me right in the matter. I am very sure, Mr. Hoover, that this matter is either one that I am unable to comprehend, or that you have been unable to give your personal attention owing to the great burden of other matters you are carrying. I most reluctantly make these matters of seeming protest annoying to you, but it is the only way the milk producers can reach the department, and I have been asked to be as vigilant as possible.

I am wondering if the suggestion that some of these matters so vitally affecting the millions of milk producers of the country be submitted to the

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National Milk Producers' Federation for cursory examination before action would be feasible. We understand that the manufacturers and practically all other branches of industry affecting the food supply of the country are either represented or advised in advance. We are not complaining, but as yet are petitioning for like treatment, and at the same time promising loyal support both to you and the Government.

Very truly, yours,

MILO D. CAMPBELL,
President National Milk Producers' Federation.

MIAMI, FLA., February 21, 1918.

Senator PAGE. Has Mr. Hoover ever made any response or reply to that letter that would give you or this committee an idea as to the reasons for this order?

Mr. LASATER. If you will permit me, I will read his reply [reading]:

MARCH 4, 1918.

Mr. MILO D. CAMPBELL,
President National Milk Producers' Federation, Miami, Fla.

DEAR SIR: Your favor of February 21, referring to rule 7, class 1 of baking regulations recently issued, has been referred to the baking section for reply.

Before the regulations were finally adopted frequent consultations were held, not only with bakers but with the heads of our own milk, sugar, and fats divisions, with the result that the rules as originally drafted were considerably modified. This statement applies particularly to rule 8, which, in view of the strong presentation of facts by Judge Lamb, head of our milk division, in behalf of the milk producers, was made much more liberal than as first written. The baking section must, however, accept responsibility for the provisions contained in the rule concerning the price and advertising of bread containing milk.

As to the price of such bread, the bakers whom we consulted assured us, and produced figures to back their statements, that milk could be used in bread in satisfactory quantities without increasing its cost because of the larger loaf yield, due to the increased absorption quality of bread containing milk over that containing water alone.

In view of these statements and particularly because we felt it our duty to guard against any increase in the cost of bread the clause referred to was inserted.

The advertising of bread as milk or cream bread is forbidden because it has been the policy of the Food Administration from the start to secure as great uniformity and standardization in bread making as possible, and because it was feared that the placing upon the market of two kinds of bread, one a milk bread and one without milk, particularly at different prices, would result in their being classified in the popular mind as "rich man's bread" and "poor man's bread."

Such a result would at any time be undesirable, but particularly so now. We believe that the limitations mentioned will accomplish our object without unduly restricting the use of milk in bread making and trust that this will be found to be the result. The Food Administration is grateful for your offer of support and for the considerate spirit in which you voice your criticism.

Very truly, yours,

DUNCAN McDUFFIE,
Baking Section, United States Food Administration.

Permit me to read Mr. Campbell's reply to that [reading]:

MIAMI, FLA., March 9, 1918.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C.

DEAR SIR: I am in receipt of letter referring to use of milk in bread under date of March 4.

I regret very much that it did not contain the satisfying reasons for the conditional rule 6 which I had asked. If I read the communication right, it furnishes the full confirmation of my objections. My thought in writing you was to ask the following:

I. Conservation of skim milk because of its being a perishable product, a by-product, and largely being wasted as a human food.

II. Because its use makes a better bread, a more delicious bread, and adds greatly to its nutrition.

III. Because of its use wheat flour could be conserved to the extent of a like number of calories, and the higher purposes of the Food Administration exemplified.

IV. By allowing the baker to advertise or sell his bread honestly and in permitting him to tell the public just what kind of bread he was selling, the policy and spirit of all our food and drug laws would be followed.

V. That to make this one exception against public information as to use of milk in bread making was a discrimination not only against the baker who might want to use the same but against milk producers whose markets are being constantly cut off.

I am yet hopeful that this anomalous condition may be solved in some rational manner, and assure you that I am not raising the question above except to serve best all interests in this great Republic. I am aware of the interest that some of the great bakers have in crushing out all the smaller ones, and the ones who would give to the public better qualities at the same price. Is it not possible that the questions I have raised can be answered either with reasons for the conditions as to "secrecy" as to the use of milk or to allow the baker who uses milk the same rights of open and truthful advertising that it does every other baker in the use of other substitutes and ingredients?

I have had no conference with any baker or representative of baking, condensing, or other interests, nor any correspondence concerning the same, and am only writing because I feel that a great wrong is indirectly reflected upon the milk-producing farmers of the country.

Very truly, yours,

MIL0 D. CAMPBELL,
President National Milk Producers' Federation.

Senator PAGE. And you indorse fully what Mr. Campbell says in his reply?

Mr. LASATER. I do.

Senator PAGE. Will you please emphasize that now, with just a little elaboration?

Mr. LASATER. I do not think, sir, I could make it any stronger than Mr. Campbell does. He says that here is a product largely being used for animal foods that can be used in this way for human food. The statements he makes as regard to the reports of scientists upon the value of skim milk as a food I know to be true. I have frequently seen the statement made and corroborated.

Senator PAGE. What occurred to me is this: Is there such a limited supply of milk that you would have to have two kinds of bread, and would having the two kinds of bread forced upon the public be injurious?

Mr. LASATER. No, sir; I do not think that would follow to any great extent. In the larger centers of population practically all the milk is consumed as whole milk. In the New York or Boston territory or around Chicago that might be the case. But away from the great centers of population milk is sold largely for butter making and you get your skim milk back, and through the use of that skim milk our population could command this more nutritious bread at a slightly higher cost.

Senator PAGE. You are probably conversant with the situation in Vermont. Our creameries there let the farmer have his skim milk back, and it goes to feed his hogs. I do not know if very much, if any, of the milk coming back from the creameries is used in the making of bread. It may be, but I know the great bulk of it is used as feed for hogs, and we farmers think that in that way we maintain the quality of our soil and that the hog is the best outlet for this skim milk. Your suggestion is that if permitted to be used for human food, it would give the farmer a greater profit from his farm. Is that right?

Mr. LASATER. As an animal food it is worth, we will say, from 25 to 50 cents per hundred pounds. As a food content in bread it is cheap at \$1.65 a hundred.

Senator PAGE. If it is worth so much more, why do not our Vermont farmers, who are pretty shrewd men, sell it to the bakers instead of using it to feed to hogs?

Mr. LASATER. I do not know enough of your local situation to be able to answer that, but there are changes taking place in the food situation very rapidly. Many different substances are being put to use to-day that 10 years ago were never considered. That is one of the advances made in economizing farm products. For instance, I recall that until quite recently New York City had laws forbidding the sale of skim milk in the city. That was shown to be unwise, and my recollection is that last fall those laws were repealed. As a matter of scientific knowledge, it is known that after the butter fat is taken

out of the milk, practically 50 per cent of the food value still remains in the form of proteins and other solids.

Senator PAGE. Can you tell me what the situation is as a matter of fact? Is it not true, as I have suggested, that the skim milk which comes back from the creameries goes to the farm and is actually used, nineteen-twentieths of it, in feeding hogs? And if it is worth more to mankind, why is it not so used?

Mr. LASATER. I will just relate my personal experience. I run somewhat of a dairy; I milk about 800 cows. Up to last year I used my skim milk altogether for feeding hogs and calves. During the past summer I found that there was a market in San Antonio for possibly 20 per cent of it; the baking interests there would take my milk. In feeding hogs I was able to get 25 to 50 cents net out of my milk. I am 187 miles from a market, and the railroad service is poor; but after condensing this milk to a certain point I was able to get 75 cents net—more than double what I would average for it as hog feed. I never had this demand before, and I can not tell you why, but I know that during the past summer I was able to dispose of that by-product for twice what I had been able to get for it prior to that. I suppose the same thing may apply to your situation in the East.

Senator PAGE. In your judgment, is more than 5 per cent of the skim milk of this country used for bread?

Mr. LASATER. I could not give you any statistics on that, Senator, but I will say this: The more you increase the consumption of skim milk in that form the better it must be for the whole people.

Senator PAGE. Yes; but if you are making a complaint here about an infinitesimal or negligible quantity of milk, perhaps Mr. Hoover is right; if it applied to a great bulk of the milk, I should think he was wrong.

Mr. LASATER. If the fact is as stated in Mr. Campbell's letter and it is now being realized by the country that this food value is inherent in skim milk, do you think, Senator, that the Food Administration—which is supposed to be the conservator of food supplies—should prevent the use of milk in that way?

Senator PAGE. Yes; if the quantity is so negligible that you would establish a difference in quality of bread which might disturb the public in regard to its understanding of the bread situation.

Mr. LASATER. The supply of skim milk, sir, if you simply divert it from its present uses to the making of bread, would not be negligible. I am not able to explain to you why that has not been done in the past, but I do know that in the last 18 months it has become a considerable factor.

Senator GRONNA. There has never been a shortage of wheat in the past.

Mr. LASATER. No. And we are eating many things we have never been forced to eat heretofore.

Senator PAGE. As a matter of fact, if there were only 5 per cent, or say if there were 10 or 15 per cent of the bread of the country made from milk, would you disturb the whole bread situation of the country, as Mr. Hoover suggests, in regard to the "rich man's bread" and the "poor man's bread"?

Mr. LASATER. If it had that effect I certainly would not do it, but I can see no reason in the world why that should apply. If a man uses a commodity to-day that has not been used as human food, I do not see why that should be termed "rich man's bread."

The CHAIRMAN. We have been having wheatless days all along, and I suppose we have got to have more. I see in the morning papers that Mr. Hoover has induced several of the leading hotels to discontinue the use of wheat entirely, and I presume that is necessary. But if the use of milk in bread will make it go further than the wheat alone would go, that would be one of the most effective methods of conserving wheat and a good deal more wholesome way of doing without it.

Senator PAGE. I wish, Senator, that the bread could be made of skim milk, and that our Vermont farmers could have the advantage of the increased price for it, but as a matter of fact it is not done.

The CHAIRMAN. But you ought not to make it impossible for it to be done if circumstances have arisen that make it desirable.

Senator PAGE. I should like to get a little deeper into this subject if I were going to pass judgment on it.

Senator GRONNA. Senator Page, is it not true that bread made out of wheat or any other grain contains a certain amount of protein? The flour absorbs from 50 to 55 per cent of water. There is no protein in water. There is protein in milk; there is a large amount of protein in unskimmed milk; there is also some protein in skimmed milk. I think what Mr. Lasater wants to refer

to is the fact that we, by using skimmed milk, would conserve flour. That is, you would have to use less flour.

Mr. LASATER. The same amount of bread would contain more nutriment, Senator.

Senator GRONNA. I think any scientist will bear me out that that is true.

Senator PAGE. If I may answer Senator Gronna, what you say is absolutely true, but that is an argument as to why we should use more milk. But if, as a matter of fact, the quantity of milk we use is negligible, and if by using the very small quantity which is suggested we do make two kinds of bread, as Mr. Hoover suggests, the question, it seems to me, may be debatable as to whether we ought to permit the minds of the consumers to be disturbed by saying, "Here are two kinds of bread."

The CHAIRMAN. I do not see any distinction between that and having two cuts of beef. The poor man eats the ordinary cuts and the rich man eats the finer cuts, and yet no complaint can be urged as to the economy of doing that. We have not prior to this war situation been encouraging the use of potatoes and other mixtures with flour; in fact, we had a law taxing mixed flour. But now where bread made with milk contains a larger number of calories in proportion to the expense, it seems to me it ought to be encouraged instead of making it impossible.

Mr. LASATER. I think it ought to be encouraged.

Senator PAGE. I agree with you.

Mr. LASATER. It ought to be encouraged from this standpoint: Anything that will add to the net amount that a dairyman is capable of making to-day should be encouraged. I make this statement, that there is not a State in the Union that is paying cost for butter fat to-day to the producers of the butter fat.

We have been told since this war started that the producers of the country could not go wrong in producing meats or dairy products, and still here in the fourth year after the European war started you find the producers of meats of the country taking a loss on production, and you find the producers of dairy products of the country taking a loss on production. That does not seem to comport with the national welfare.

Senator PAGE. You will agree with me, I presume, that according to her size, Vermont outranks Texas tenfold, and I do not know but what fiftyfold, in the amount of dairy products. We are the great dairy State of the Union in proportion to our size, and I am interested in everything you suggest. And if it is practicable that we can put our skimmed milk where it will pay us two or three times what it does now, I want to see it done. But we are not doing it, and I do not know but the reason we are not doing it is one of the reasons why Mr. Hoover urged we do not permit the use of milk in bread.

Mr. LASATER. I hope you will take that up and find out why it is—I think it will be worth ascertaining—and then make it public.

Senator PAGE. I am interested in the fact, Mr. Lasater, surely.

Mr. LASATER. Mr. Chairman, I would like to pass now to the packer situation. I think that is something that is pertinent to the interest of every man, woman, and child, not only to the producers, but to the whole people.

As some of you gentlemen know, the live-stock producers of the country commenced two years to have an investigation of the live stock and the packing industries conducted by some governmental agency.

Senator PAGE. How long do you expect it will take you to complete your argument this afternoon?

Mr. LASATER. If this is the last thing to discuss, I should think 20 minutes.

Senator PAGE. It is now 20 minutes past 3, and I have to go at half past 3, so I will remain a few minutes. Please give us the gist first, if you can.

Mr. LASATER. I am going to proceed with my statement, and I will make any comments and answer any questions that you may desire to ask in regard to the situation. The American National Live Stock Association appointed a committee known as the market committee, to try to bring about this investigation by the Federal Trade Commission. That committee had a meeting with the Chicago packers on December 6, 1916, and this agreement was made between that committee and the packers:

"*Resolved*, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating that they withdraw all opposition to such an investiga-

tion and will not oppose the passage by Congress of such a resolution, or appropriation bill or item."

This is the hearing before the Federal Trade Commission, and that resolution was read into the record in that investigation. [Reading:]

"Mr. LASATER. I offer this as a substitute for the pending Veeder resolution."

Mr. Veeder had proposed to the assembly a certain resolution, and I proposed this as a substitute.

The CHAIRMAN. Mr. Veeder was attorney for the packers?

Mr. LASATER. For the packers. [Reading:]

"Mr. TOD. I second the substitute.

"Mr. MORRIS. I think we should cover the matter of charges and naming particular persons.

"Mr. FISHER. Everybody understands that.

"Resolution was then altered to read as follows:

"*Resolved*, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology (without specific charges against particular parties) of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item.

"It was put to a vote. Unanimously carried.

"Meeting adjourned at 1.30 p. m.

"WM. S. TRAYNOR."

Mr. Traynor was secretary of the meeting.

The CHAIRMAN. What meeting was this?

Mr. LASATER. This was a meeting between the market committee and the packers at Chicago. You will see my object in reading this as I proceed. I was before the Federal Trade Commission, and that was read, and he asked me this question [reading]:

"By Mr. HENRY: Q. Is that substantially as you recollect it, Mr. Lasater, what occurred?—A. Yes; substantially. I would like to make this plain. The reason that finally Mr. Fisher represented both the packer and the producer was this: We wanted immediate action, and Mr. Veeder stated that it was impossible for him to go to Washington the next week, that he had other things to do, and Mr. Armour had other things to do, and they were perfectly satisfied for Mr. Fisher to represent both interests. That was the way it was done, and at their request."

As a matter of fact, everybody conversant with the situation knows the packer did not withdraw his opposition. We failed to get that resolution through, and the President finally ordered the investigation, and later the appropriation to put the investigation over was carried through the House and Senate.

The packers created a committee composed of Mr. M. C. McManus, J. M. Chaplin, and Arthur White to recommend to them a plan of procedure to prevent the passage of the Borland resolution.

The CHAIRMAN. That was the resolution to investigate the packers?

Mr. LASATER. That was the resolution to investigate the packers and the live-stock industry. We wanted the costs of live-stock production shown at the same time, so that the country would have the figures before it when the hearing was completed. This is addressed to all the packers—that is, copies were sent to all the packers, and it is dated April 3. I am only reading part of a very long statement.

Senator PAGE. That was in 1916?

Mr. LASATER. That was in 1916. [Reading:]

"The conservative, friendly cattlemen are unorganized and have remained passive. There is, however, a large element in both the Texas and Kansas associations which is friendly and opposed to the movement."

Speaking about this movement asking for the investigation. [Reading:]

"There are also some of those in the movement who want to be fair and reasonable, and who only wish to satisfy their minds as to the fairness of the packers.

"Undoubtedly we have started our educational campaign late. The fact that we ignored the Brand conference in November seems to have precipitated

the fight and fixed the minds of Burke and his kind in the notion that only the Government is powerful enough to bring the packers to time."

"Educational campaign late" is underscored with red. "The fact that we ignored the Brand conference in November seems to have precipitated the fight" is underscored in red.

"There are these points in our favor: This administration has not disturbed business by prosecutions, and does not wish to be known as appealing to the mob spirit. It does not wish to spend money, as its revenues are in bad shape. It must come before the corporations for political subscriptions shortly, as the convention is almost at hand. Congressmen wish to go home to attend to their fences.

"What we can do."

Senator NORRIS. Who is talking?

Mr. LASATER. This is this committee talking.

Senator NORRIS. That is all right. That is all I want to know.

Mr. LASATER. To show you that the plan of operation was being carried out.

Senator PAGE. They were not going home to "attend to their fences" in 1917?

Mr. LASATER. If you will permit me, I will get the exact date. It may have been 1916—the date given is April 30. It must have been the year previous.

Senator PAGE. It is immaterial.

Mr. LASATER. April 3 is given, but the year is not given at that point.

The CHAIRMAN. The convention approaching would indicate it is the early part of 1916.

Mr. LASATER. The early part of 1916; that is when it was.

"What we can do," in the center of the page, is underscored. [Reading:]

"We have worked out an understandable scheme for current dissemination by the Government of official data, which will direct the attention of the cattlemen particularly to the beef, and teach them how to analyze beef market conditions as affecting live-stock prices. The Department of Agriculture seems to favor the experiment.

"The Lever agricultural bill commits the Department of Agriculture to the general supervision of all agricultural subjects which are now scattered through several departments. The Department of Agriculture has now probably nine-tenths of the data in one form or another, and the Bureau of Markets is the particular pet of the present Secretary.

"The Texas Cattle Raisers' Association was badly split on the subject of employing Judge Sam Cowan as counsel, and probably would not favor another split growing out of the differences of opinion between the radicals and conservatives. Messrs. Reynolds and Nail are powerful and respected and certainly the committee will hesitate before discrediting them."

In reading this correspondence you will find they differentiated between the cattlemen—the conservatives, those who favored the packers, and the radicals, those who did not. [Reading:]

"They were two of those witnesses.

"The Kansas association is headed by W. J. Todd, a sane, true, honest Scotchman.

"That is the association in which they said they apparently controlled them, but really did not.

"The Kansas association is headed by W. J. Todd, a sane, true, honest Scotchman, who, while he did not interfere with the indorsement by his association of the marketing committee's plans, nevertheless has appointed a good committee who have an appointment with the packers. This last may have been interfered with by Mr. Fisher's fiasco at Washington, as we are informed the committee has gone on to Washington for a conference. We must bear in mind that Mr. Fisher repeatedly stated that his clients would not be satisfied with any information volunteered or any books shown to accountants or representatives of cattlemen. He insisted upon an official investigation under oath and with power to subpoena all documents and intend to follow the product through every stage and however admixed with other goods, stating that the packers have some hidden methods which the books do not show, and that frankly he does not and will not believe the packers' books.

"The circumstances which cause dissatisfaction to the cattlemen are few and in our opinion for the most part important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate."

"If we are to avoid indictments" is underscored in red.

"Second. Get something cooperative started which can not be finished for some time."

Senator PAGE. How did you get at the private views of these men?

Mr. LASATER. This was read, sir, into the hearing on the 28th day of January of the Federal Trade Commission in Washington, investigating the packers.

Senator NORRIS. Was it not in Chicago?

Mr. LASATER. I think this was read into the record here in Washington.

The CHAIRMAN. That is the Henry investigation?

Mr. LASATER. This was read into the records here. [Reading:]

"Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, de Ricqles, and Jastro conspiracy.

"Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

"Fifth. To so combine the question of the packers investigation with the more comprehensive scheme mentioned by Fisher that the whole undertaking will appear so colossal as to be unattractive.

"Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

"Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and resuming the responsibility of determining when the market should start, do away with this charge."

"Mr. Twombly tells me they do that at Indianapolis. They do some other things there also, which we will show the commission later.

"Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers, so that the explanation of breaks and fluctuations could be understood at the time?

"Ninth. Could we favor a permanent marketing committee of the live-stock men and packers to meet periodically, and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaigns of misrepresentations?"

"In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

"We believe the situation to be serious and recommend that due consideration be immediately given to it, and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that as it stands to-day nothing could stop criminal prosecutions, and that the situation is dangerous where men like Burke, who have been in the business all their lives, regard trivial and irrelevant circumstances as conclusively proving unlawful operations."

"We believe the situation to be serious and recommend that due consideration be immediately given to it" is underscored in red. "We believe that as it stands to-day nothing could stop criminal prosecutions" is underscored in red.

"It must not be forgotten that some have the impression the consumer is being badly used. Chairman Corlin, at the close of the hearing, said that even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered."

This is signed by R. C. McManus, J. M. Chaplin, and Arthur B. White, and it went to all the packers.

Senator NORRIS. Were these gentlemen constituting a committee of some kind?

Mr. LASATER. A committee created by Swift & Co., and then later taken over by all the packers.

Senator NORRIS. They appointed this as a committee on ways and means?

Mr. LASATER. As a committee on ways and means to prevent the investigation now taking place.

The CHAIRMAN. A board of strategy?

Senator NORRIS. A sort of war cabinet.

The CHAIRMAN. Yes.

Mr. LASATER. And you will see, when you go into it, that the recommendation was carried out, both as to the live-stock organizations, and that practically

every recommendation that that committee made was acted upon by the packers. This is too voluminous for me to attempt to handle every point that is made, but there is one point as to the influence the packers have upon the banks of the country affecting the credit of the live-stock producers which I am going to ask to be given a few minutes to present to you.

Senator NORRIS. Before you leave that, I want to ask you about those men who have signed it. Are they connected with the packers?

Mr. LASATER. All of them; yes, sir. A copy was sent to G. F. Swift, jr., Harold H. Swift, L. A. Carton, F. S. Hayward, Henry Veeder, J. M. Chaplin, A. D. White, T. E. Wilson, Edward Morris, jr., F. E. White, and Thomas Creigh.

Senator NORRIS. These are all packers?

Mr. LASATER. Packers. You will find the entire group of packers got these recommendations.

Senator NORRIS. These men who signed it, who made the recommendations, they are packers, are they?

Mr. LASATER. They are in the packers' employ. I know Mr. McManus personally. I have met him at many conventions. He handles the legal department for Swift & Co.

Senator NORRIS. They are mostly lawyers, those fellows?

Mr. LASATER. Lawyers and publicity men, I believe they term themselves. J. M. Chaplin and R. D. White I am not acquainted with personally; but they are connected either—

Mr. REID. Arthur D. White is the publicity agent.

Mr. LASATER. I knew he was something like that.

Senator NORRIS. They were not engaged in publicity when they did that. [Laughter.]

Mr. LASATER. It was not intended to be public at that time.

Senator NORRIS. This is a confidential report?

Mr. LASATER. A confidential report.

Senator NORRIS. And Mr. Heney brought this out in his investigation before the Federal Trade Commission?

Mr. LASATER. Yes, sir.

Senator NORRIS. And that is where you got it?

Mr. LASATER. That is where I got it. I want to say this, gentlemen, you will find it is shown conclusively by this investigation that the five big packers of the country buy cattle on an agreed per cent—that is, cattle, hogs, and sheep—the country over. That was read into the records, the exact percentage according to which each packer is to handle the stuff.

The CHAIRMAN. The money they raised to carry on this campaign against the investigation was proportioned on the same basis?

Mr. LASATER. On the same percentage at which they buy live stock.

The CHAIRMAN. Could you attach to your statement, Mr. Lasater, a statement showing the proportion?

Mr. LASATER. It would take some time to hunt it up, but I will insert it at this point in my statement.

The CHAIRMAN. I thought it was brought out in one of the letters.

Mr. LASATER. It is brought out, but I have not the matter indexed, and I would not know how to turn to it.

(The statement referred to was subsequently submitted by Mr. Lasater and printed in full, following his statement.)

Mr. LASATER (reading):

"Personal. Mr. T. E. Wilson, president. Borland resolution. This is a letter from C. S. Bowman to T. E. Wilson."

Senator NORRIS. Who are they?

Mr. LASATER. Mr. Bowman is an employee of Wilson & Co., and T. E. Wilson is president of Wilson & Co.

The CHAIRMAN. Successors of S. & S.

Mr. LASATER. Yes, sir. Mr. Kruvitz is the examiner who is testifying at this time. [Reading:]

"Mr. HENY. Mr. Kruvitz examined the files of Wilson & Co., and I will put him on the stand later in regard to that.

"'Borland resolution'"—

That is the subject of this telegram—

"'Your telegram on this was received yesterday afternoon while I was away from the office. I reached Mr. Hill as soon as possible and then decided that inasmuch as the people at the yards who might do us some good had already gone home for the day, we would handle it this morning.

"Mr. Hill circulated around among the commission men to ascertain how they stood, and the joint result of our influence—Morris's, Armour's, and Swift's—was the sending of about 12 telegrams from commission men asking no action be taken at this time as it would be detrimental to the producer."

That is, this Borland investigation they were getting action on.

The CHAIRMAN. The packers had telegrams sent in to the effect that the investigation would damage the producer?

Mr. LASATER. Yes, sir—had the banks and commission men send the telegrams.

This is a statement by Mr. Heney:

"The commission men all rent their offices in the Exchange Building at the stockyards, and the stockyards at Kansas City, Mr. Commissioner, are controlled by the Morris family. Over 51 per cent is in the Morris family, and Armour and Swift and Wilson, jointly, so that they all control the building in which the offices are rented and control the stockyards in which the commission men do their business.

"Mr. Hill is who?

"Mr. KRAVITZ. Connected with the Kansas City plant of Wilson & Co.

"Mr. HENY. And Hill has to do with the buying of cattle, sheep, and hogs there; does he? He has charge of that end of it?

"Mr. KRAVITZ. That is my impression.

"Mr. HENY. Yes; the correspondence shows that; I recollect now.

"Mr. KRAVITZ. Yes.

"Mr. HENY. "Mr. Hill," who is the man who attends to buying sheep, cattle, and hogs at the Kansas City yards for the Wilson Co.—"Mr. Hill circulated around among the commission men to ascertain how they stood and the joint result of our influence, Morris's, Armour's, and Swift's, was the sending of about 12 telegrams from commission men asking no action be taken at this time as it would be detrimental to the producer.

"In the meantime we were working with Mr. Hovey, of the Inter State; Mr. Collett, of the Yards Co.; and Mr. Newman, of the Drovers."

"That is the Drovers National Bank, and that is controlled by the big packers and the stockyards, the same."

The CHAIRMAN. All in Kansas City?

Mr. LASATER. All in Kansas City.

"Mr. Newman wired a friend of his in Kansas to have Congressman Taggart apply as much pressure as could be done consistently to have the investigation stopped in the interest of the producer. Mr. Peter Goebel, of the Commercial National Bank, wired Taggart along the same lines, likewise Mr. Prouty of the Exchange State Bank.

"On Monday Mr. Hill will see Mr. Cowgill, one of the directors of the S. W. Cattle Loan Co., a prominent cattle raiser, ex-State treasurer, and a Democratic politician, * * *."

The CHAIRMAN. Who is the politician?

Mr. LASATER. He is a politician and cattle raiser; that is, Mr. Cowgill.

The CHAIRMAN. He is the man I want to get a line on.

Mr. LASATER. He is one of the directors of the Southwestern Cattle Loan Co., which is a packer institution largely controlled by them [Reading:]

"* * * who will see Kenper, a prominent Democrat and president of the Commerce Trust Co., and together we hope they will do some wirepulling that will prove beneficial. They are able to do it, and we hope to accomplish it.

"To-day we met Mr. Dorsey, a friend of Hills and mine, a cattle raiser of Amarillo, who is going to the latter place to-night to attend a stockmen's convention. He is with us and will do what he can for us at the convention.

"To-morrow morning I meet Mr. Hovey and will frame up a wire to Fugua, president of a bank at Amarillo, an officer of the Panhandle Southwest Cattle Ranchers' Association, and a very extensive ranchman himself. Hovey thinks without doubt Fugua will go just as far with us in this proposition as he can and that being somewhat a diplomat will be able to handle the convention in the way that will at least not do us any damage.

"The Mercantile Club, of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest."

"In Kansas City, Kans., Mr. Commissioner, I will be able to show that Armour, Swift, and the Burlington Railroad own a large tract of land which they have been developing jointly, and I think we can show that has something to do, perhaps, with their influence with the Mercantile Club of Kansas City."

The CHAIRMAN. Is this secret diplomacy?

Mr. LASATER. I would term that "secret diplomacy"; yes, sir.

Again quoting from the letters:

"Our friend Swinney of the First National also wired Senators Stone and Reed stating it was an inopportune time to stir this matter up.

"In short, we have as many lines working as we feel can do us any good at this time and intend to follow them up. I anticipate more than can be done by Cowgill & Kruger on Monday than all the rest combined.

"I had quite a long talk with Mr. Hovey of the International this morning, who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergin of Landergin Bros., of Amarillo, who testified in Washington a short time ago. Mr. Hovey was of the opinion a large majority of the cattle raisers were against us which opinion was not shared by Mr. Collett."

Mr. Collett handles the Kansas City Stock Yards:

"In Kansas City, Mr. Commissioner, the street railroads are owned by Armour."

The CHAIRMAN. They also handle grape juice [laughter].

Mr. LASATER. I believe so. [Reading.]

"The interests of the packers in Kansas City are more ramifying, the ramifications are greater than perhaps in any other large city in the United States, not even excepting Chicago, where they are very great, as I will be able to show to the commission by sworn testimony. They reach into banks, particularly, and they reach into banks all over the country.

"As I said before, I think we will show that they reached into the banks at Detroit, and in Detroit the A. A. C. Co. cooperates with them in the rendering business, as we showed in Philadelphia and as we will show in other large cities, and has practically a monopoly in Detroit of the rendering business, where it is paying prices scandalously low for shop waste to the butchers, as we proved at the Philadelphia hearing. The A. A. C. Co. is quite influential, also having certain banking connections.

"Wilson & Co. is being financed by a group of New York banks, which are interested themselves very actively in the extension of the business, to acquire other independent plants, and they have been acquiring quite a number of independent plants during the last year, and we will show presently correspondence relating to that, showing the interest taken by certain bankers in backing up Wilson & Co. in the matter of acquiring these independents.

"Commissioner MURDOCK. Of course, this is the first time that you have brought out the fact that any of the bankers are interested in a street railway company.

"Mr. HENEY. Yes.

"Commissioner MURDOCK. We knew they were in the tanneries and in the canneries and in the chemical companies, but this is the first indication of street railways.

"Mr. HENEY. The street railway situation in Kansas City was a very interesting one. The Kansas City Star, when Mr. Nelson, the editor, was alive, had quite a fight because of the fact that they were largely overcapitalized and giving poor service and wanting to get a new 15-year franchise, and they had quite a scrap on there for some time by referendum, and so on.

"J. Ogden Armour is the packer. It appears that J. Ogden Armour invests—and Swifts do the same, and Morris do the same—they invest individually in different enterprises. It is impossible to tell whether it is an individual investment or a corporation investment, because it will be carried along in the books, and it will not indicate, as shown by the testimony of Mr. Croll here before the commission in regard to their Chicago stockyards proposition—it will not show which it is."

The packers, until this exposé, always contended that the packers had no control over the Union Stock Yards at Chicago. That is now shown to be under Armour control, and has been for some years back.

The CHAIRMAN. They evidently did not know that?

Mr. LASATER. We did not know it, even as late as December 6 of 1916. J. Ogden Armour denied that the packers had anything to do with the Chicago yards. That is one of the points the live-stock producers have always contended with the packers, that the yards, at least, should not be under packer control.

The CHAIRMAN. It is strange that should happen without his knowledge.

Mr. LASATER. It is; yes, sir. [Reading:]

"Mr. Arthur Meeker testified here before the hearing in April, 1916, before the committee, that neither J. Ogden Armour individually or Armour & Co. had any interest in the stockyards at Chicago, directly or indirectly. That was one of the important questions before the committee—the control of the stockyards."

The CHAIRMAN. Mr. Meeker is the man referred to that would have to meet some charges or else get Mr. Meeker to make a statement?

Mr. LASATER. Yes. [Reading:]

"Now, it appears from Mr. Croll that there was on the books at that time, and had been for several years, an account 'J. Ogden Armour No. 4.' He said that investment in the Chicago Stock Yards was in Mr. Armour's personal account until some indefinite time, which he could not name. He could not say whether it was two years, or six months, when Mr. Armour was included in the assets of Armour & Co. There was no action in the board of directors on the matter; there was no action in writing by J. Ogden Armour; nothing to indicate on the books, or anywhere else, whether it is still J. Ogden Armour privately, personally, or whether it is Armour & Co.

"That is true of a great many other investments which we have secured information in regard to: The investments of Morris, investments of J. Ogden Armour, and investments of different individuals of Swift.

"For many years these investments would be carried along in the name of the original owner, sometimes in other names, sometimes in the names of employees of Swift or Armour, and so on, who carried them as trustees, as it turns out later, but on the face of it do not appear to be trustees. We have a great many instances of that.

"Commissioner MURDOCK. I would like to ask you this: As you know, the packers are going extensively into the canned goods business.

"Mr. HENEY. Yes; very largely.

"Commissioner MURDOCK. A vital factor in canning goods is tin.

"Mr. HENEY. Yes.

"Commissioner MURDOCK. That tin is furnished by the American Tin Corporation?

"Mr. HENEY. Yes.

"Commissioner MURDOCK. Which is connected, in turn, with the United States Steel Corporation.

"Mr. HENEY. Yes.

"Commissioner MURDOCK. Do you find any trace of packer ownership in American Tin?

"Mr. HENEY. Yes. I have not the details of it in mind.

"Commissioner MURDOCK. If we ever reach the stage in this country where it is a matter of absorption between the United States Steel and the packers, my private opinion is that the packers have shown capacity to absorb the United States Steel."

Just one more item I would like to read into the record.

The CHAIRMAN. In this connection?

Mr. LASATER. In connection with and affecting live-stock credit.

The CHAIRMAN. Just before you do that. Part of the matter you have has been a revelation to me, where these packers were having telegrams sent in that these investigations would be detrimental to the producer.

Mr. LASATER. You will find in every live-stock association of the country the packers are represented. That is a fact; you can not ignore it, and we had just as well admit it.

Senator NORRIS. It is quite apparent. They thought such telegrams would have more influence with the Congressmen.

Mr. LASATER. That was the reason of it.

Senator NORRIS. And they would get some producers to wire instead of the packers doing it themselves.

The CHAIRMAN. Do you know whether Mr. Kemper pursued this matter? Have you any further trace of it?

Mr. LASATER. This gentleman writing this letter, Mr. Bowman, stated that he did.

The CHAIRMAN. "Did" or was going to?

Mr. LASATER. This is continued. Let me go on with it. That was an injection; I do not know how it came in. This is continuing the letter from Bowman to Wilson, which I was reading from:

" 'The Mercantile Club of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest. Our friend Swinney of the First National also wired Senators Stone and Reed stating it was an inopportune time to stir this matter up.' "

That has been read once.

" 'I had quite a long talk with Mr. Hovey, of the Inter-State, this morning, who is unquestionably very friendly to our interests and gave us an insight as to the standing of several of his large depositors.' "

There is another evidence of danger.

" 'An insight as to the standing of several of his large depositors, one of whom was Landergin, of Landergin Bros., of Amarillo, who testified in Washington a short time ago.' "

At that point I was called to the stand. [Reading:]

" By Mr. HENEY: Q. Mr. Lasater, you are under oath?—A. Yes, sir.

" Q. Mr. Landergin is a wealthy buyer and shipper of cattle, is he not?—A. Not only that; he is a large operator in cattle as well as producer in cattle.

" Q. And doubtless borrows heavily at times?—A. I know him to be a very heavy borrower; yes, sir.

" Q. And he was hoping to bring about this investigation?—A. One of the leaders in it; yes, sir.

" Commissioner MURDOCK. He was active in something which the packers regarded as adverse to them.

" Mr. HENEY. Yes. The files show some close relationship between Armour and the Du Pont Powder Works also; and then, in addition to that, Mr. Armour and Mr. Prince, whose ownership in the Chicago Stock Yards was brought before the commission, are interested in a powder company which has a \$20,000 000 contract with the Government at the present time.

" I only mention these facts as showing the ramifications to some extent.

" 'Mr. Hovey was of the opinion a large majority of the cattle raisers were against us, which opinion was not shared by Mr. Collett.

" 'Mr. Hovey feels the packers are giving the public a square deal and this being the case should court an investigation as to cost alive, cost to manufacture, and selling price.

" 'All of the packers were working on this this morning, prominently among them C. W. Armour.'

" Q. C. W. Armour is a brother, is he, of J. Odgen Armour?

" A. A nephew, I think.

" Q. And he is located at Kansas City, is he not?

" A. I think so. He is either a nephew or cousin.

" Mr. HENEY. He is superintendent there; took the place of W. D. Miles.

Here is the telegram in quotations: "Keep us posted." I will read the telegram:

OSB'G

CC'CHH

P. S.—Since the above was dictated I have talked to Collett by phone, who stated Swinney wired Senators Stone and Reed to "put the skids" under this proposition and get rid of it. Downing, president of the New England National, also wired; likewise Huttig, president of the National Reserve Bank. Mr. Collett told me he would be in Chicago next Monday and here next Tuesday. Perhaps you will get a chance to see him.

R. S. BOWMAN.

The CHAIRMAN. You do not know anything further about Kemper's activities?

Mr. LASATER. No; I do not.

The CHAIRMAN. I wish you did.

Mr. LASATER. Again questioning:

" Mr. HENEY. 'I had quite a long talk with Mr. Hovey, of the Inter-State, this morning'—

" That is a bank that is connected with the Stock Yards Co.; that is, it is interallied there.

" 'who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergin, of Landergin Bros., of Amarillo, who testified in Washington a short time ago.'

" Landergin, as Mr. Lasater says, was president of the cattlemen's association, was it?

"Mr. LASATER. No; he is vice president of the Texas Cattle Raisers' Association, and has been one of the active promoters of this investigation."

That is a statement in response to a question made by myself. Then Hovey wires back to Bowman and states that he was advised as to the condition of Landergin's account by Mr. Hovey.

The CHAIRMAN. Do you know whether they made any effort to turn on pressure through the bank?

Mr. LASATER. I only know John Landergin is one of the most sensible men of my acquaintance. Since this publicity I have not met him. He belongs to that class of live-stock producers called by the packers "radicals."

Senator NORRIS. Does he know his bank gave information as to his financial standing?

Mr. LASATER. I do not suppose he knew it until it was made public by this investigation. I have not met Mr. Landergin since this happened, so I have had no expression from him in regard to it.

Commenting on the tremendous banking influence the packers wield, an extract taken from the Chicago Examiner of September 18, 1915, reads as follows:

"And it is likewise known that the packers hold a whip hand in many of the Chicago banks. As an indication of what power the packers hold in Chicago finances, the following information is given by a banker:

"J. Ogden Armour is a director of the Continental & Commercial National Bank, the Continental & Commercial Trust & Savings Bank, the Hibernian Banking Association, and he also owns a good sized block of stock in the First National Bank, the Central Trust Co., the Illinois Trust & Savings Bank, the Northern Trust Co.

"Edward Morris and the Swifts are heavy stockholders in the First National Bank. Joseph M. Cudahy and Louis F. Swift are directors of the National Bank of the Republic. E. F. Swift is a director of the Fort Dearborn National Bank. And then there are the Stock Yards Savings Bank, Live Stock Exchange National Bank, and the Drovers' Trust & Savings Bank, almost exclusively owned by packers."

In addition to the above Chicago Examiner references, J. Ogden Armour is a director in the National City Bank of New York City; Arthur Meeker, vice president of Armour & Co., is a director in the Peoples' Stock Yards State Bank; and George E. Marcy, president of the Armour Grain Co., is a director in the Union Trust Co. Bank of Chicago. Armour, Swift, and Morris are the dominating factors in live-stock credits the country over.

Mr. Chairman, I would like to make this statement: I have been a large producer and shipper of live stock for more than 30 years. I have rarely handled less than 5,000 cattle, and many times over 20,000, a year. So I have had occasion to study the packer through all these years, and I have watched him grow. I do not believe there is any way to successfully contend with the packer—I mean the five big packers—except by the Government taking charge of them; and I believe this investigation made by the Federal Trade Commission, and the facts that have been brought out, if those facts are properly got in shape so they can be appreciated, will bear out that statement.

Senator NORRIS. You think that the Government ought to own the packing houses, do you?

Mr. LASATER. I think the Government ought at least to operate the packing houses of the five large packers until some reforms are instituted.

The CHAIRMAN. If the Government should take them over, and should get Mr. Collins, Mr. Brooks, Mr. Priebe, and Mr. Heyl to operate the packing houses, do you think that would better the situation at all?

Mr. LASATER. No, sir; it would not improve it at all.

The CHAIRMAN. If the Government should take them over, and put Mr. Garfield in charge of the packing houses, and he were to operate them like he has the coal business, would that improve conditions?

Mr. LASATER. Mr. Chairman, I still think the great bulk of the American people are honest, and I think we are a reasonably efficient people; and I can not but think that, in a matter of this kind, we can find men of the necessary intelligence and honesty to handle it.

The CHAIRMAN. There is no question about that.

Senator NORRIS. If we had the same kind of men to run it, is it not true that, if the Government ran it, all of these things would be public, instead of being covered up as they are now? In other words, if the Government were running it, there would not be these kinds of jobs put up here?

Mr. LASATER. I think that is true.

The CHAIRMAN. Well, my question was distinct from that. I have no doubt they could get rid of a lot of this profiteering.

Mr. LASATER. Yes, sir.

The CHAIRMAN. But would there not be a lot of inefficiency, like there was in the Shipping Board?

Mr. LASATER. That would slough off in time, I think, and I believe you would get a reasonable degree of efficiency and an honest administration of it.

I will give one illustration of that: Mr. Brooks, who was put in charge of one branch of the Food Administration, is a very capable man. He was what they call a "live-stock claim agent" for some railroad. His position was to keep the live-stock interests from being antagonistic—and he was an artist at that. In recent years the railroads have not had the need for that class of men. He was taken over by Swift & Co. to handle their different stockyards in the country; he was largely the man that represented Swift & Co. in keeping in touch with the live-stock producers.

If it had not been for the relations of the packers to the railroads in years gone by I do not think we would have the present situation as to the packers now, because the rebates that the big packers were able to command from the railroads were largely what gave them the advantage over the little packers throughout the country and gradually enabled them to eliminate competition.

You take it as it is to-day—we have three great groups of financiers in this country: The Morgan group, the Rockefeller group (the National City Bank), and the packing-house group.

In many things these three groups are merged. By studying simply the packers' situation you can not account for the administration of the food situation. If you take into consideration, however, these three groups of financiers, you can find a reason for the organization that Mr. Hoover has got together.

The CHAIRMAN. Do you correlate these other organizations with the packers in the Food Administration?

Mr. LASATER. I do.

The CHAIRMAN. That is a new discovery. What are the connections?

Mr. LASATER. All of these interests are largely interested in—first, we will commence with the millers; that was the first business that was licensed; then with the canneries, the milk condensaries, the creameries and the packers. You will find that between a big packer of Chicago and a big banker of New York and Chicago, that you can not differentiate the one from the other.

The CHAIRMAN. One of the Armours is on the board of directors of—

Mr. LASATER (interposing). Of the National City Bank. In recent times there have been two men transferred from Armour & Co. to high positions in the National City Bank. One of them is Mr. Davidson. I could give both names, but I have not them at hand; but I know that to be the fact.

The CHAIRMAN. Yes.

Mr. LASATER. And I know that at all times in the past, when you have found these different interests involved in any proposition, they have always been able to hang together.

Senator NORRIS. In other words, if they wanted to get at a man like the man down in Texas, whose name was Laudergin, I think, and if they could not reach him through the packers they would get him through the banks; they would get confidential information from the banks there as to his financial standing and financial needs?

Mr. LASATER. Yes, sir.

Senator NORRIS. And then they would have the proper party in their interest at the right time put on the screws?

Mr. LASATER. Yes, sir. Let me make this statement in this connection: The Old Colony Trust Co., of Boston, is one of the strongest financial institutions in the East. For years past they have bought a good deal of cattle paper. They buy largely cattle paper that goes through the different cattle-loan institutions. I have met in years gone by Mr. Pousland, who is one of the vice presidents of the Old Colony Trust Co.; he has particular charge of this cattle paper.

In a conversation between Mr. Pousland and a number of live-stock producers, which took place in San Antonio, Tex., two or three years ago at the last convention of cattle raisers, held in San Antonio, Mr. Pousland made a statement, which I will quote for you, to Mr. Vant, of Omaha, and Mr. Wright, and a number of ranchmen; and I will say that they are both good business men. I do business with Mr. Wright's institution. We had been chaffing these packer bankers in regard to the influence they had on cattle production and

cattle paper. We said, "In other words, you people treat us good, get us enthused over conditions, and loan us the money to buy cattle or to feed cattle; and then when Armour needs the cattle you can call in the loans." I will say this, that I have had business dealings for some years back with packer institutions; but I simply make this statement to show the grip that the packers have on the situation.

Mr. Pousland got interested in the conversation that I have mentioned, with Mr. Vant and Mr. Wright, and Mr. Pousland made this statement—now, we are talking about one of the greatest producing interests of the country; that is, the live-stock production. Mr. Pousland went on to explain that his institution handled many thousands of dollars, in fact, millions of dollars, of cattle paper; but he said, "We would not buy one dollar of cattle paper unless it went through one of these packer institutions. We know they have the machinery to pass on this paper, and we feel, too, that while these different loan companies only have a small capitalization, still the big packers would not see any paper that passed through a loan company that they controlled bring to the buyer a loss. And so we are on the market and do handle cattle paper, but we limit ourselves largely to cattle paper that goes through these institutions."

Now, here is the representative of one of the largest banking institutions in the East, that has big interests in furnishing the capital for the production of the most important meat product of the farmer, because cattle mean more to the fertility of the farm than any other class of live stock, which insists on getting paper from us that goes through the hands of the men who will buy our product, and have the power to decide prices paid to the producer.

That looks to me like one of the reasons why the packing influence has gotten so far into the business of the country that only the Federal Government can meet it and contend with it.

Senator NORRIS. Is that all you wish to say, Mr. Lasater?

Mr. LASATER. That is all I care to say, unless you wish to ask some questions.

I have here a copy of the Chicago Daily Drovers' Journal, of March 12, 13, and 14. It has been mentioned here in the committee that the object of the Food Administration was to stabilize the markets and prevent wide fluctuation. I will read you a few headlines on the hog market from this newspaper:

From the issue of Tuesday, March 12:

"Hog prices lower than Monday. Close fairly good. Bulk of business 50 cents lower than the close of last week."

On Wednesday, March 13:

"Hogs again sharply advance, with top highest in three months. General average prices 35 cents above Tuesday."

This in on the 14th:

"Heavy kinds advance most. Average, \$1 above low day last week."

So that, taking the prices 50 cents low on Tuesday to \$1 high on Thursday, that shows a difference of \$1.50 in a week on hogs, as given by the Chicago Daily Drovers' Journal, the daily live-stock newspaper of the Chicago market.

I also have a clipping from the Wallace Farmer which I should like to read. This simply carries out the statement that I read in those letters from Mr. Wilhelm, Mr. Murphy, and Mr. Shepard.

Senator NORRIS. Give the date and name of the paper you are reading from, please.

Mr. LASATER. This is from Wallace's Farmer, under date of March 15, 1918:

"The limit of \$1.28 on corn futures did not prevent cash corn in the month selling at from \$1.50 to \$1.85 per bushel, simply because there was a shortage of corn, and people were willing to pay those prices to get it. There may be conditions next June which will make people willing to pay for ribs and lard more than these maximum prices as fixed by the Chicago Board of Trade. If so, the packers will have some extra profit. They indicate, however, that it is the purpose of the Government to use its influence to keep hogs below \$20 per hundredweight. The prices at which the packers have been selling hog products during the past two or three months have given them abnormal profits."

That is from one of the well-posted hog men of the country, and confirms what has been said by the packers themselves, as shown by the letters read.

The CHAIRMAN. I want to ask you this question: What is your view on the beefless, porkless, and lambless days?

Mr. LASATER. Of course, Mr. Chairman, there was never any reason whatsoever for the lambless day. That was a ~~pr~~ is the least that can be said for it.

The CHAIRMAN. Yes.

Mr. LASATER. After the Food Administration was convinced of the mistake it looks to me as if the reasonable thing to have expected them to do was to encourage the use of lamb with just as wide publicity as they had before discouraged the use of it.

The CHAIRMAN. Substituting it for pork and beef?

Mr. LASATER. Yes, sir; and especially encouraging the use of the heavy lamb.

As a matter of fact, the Food Administration at first intended to prohibit the killing of lambs of a certain weight at all. That was the intent of that campaign. Finally they withdrew from that position, but they made pretty much the same kind of a representation on lamb production that was made on hog production, as I said this morning—that is, to make the lamb weigh all that was economically sound when you send it to market. The farmers of the country did that this last fall; and they had the same experience on the lambs that the country had previously had on hogs—they were discriminated against. I have asked them to advise the consumers of the country that it was really a patriotic thing for the producers of the country to put as much weight on the lambs as they did. And I believe if such representations had been made the consumers of the country would not have paid any higher price for the lighter-weight lambs than for the heavier lambs. I think the consumers of the country would then have been patriotic enough to consider the heavy lamb equally as desirable as the lighter lamb—as it was, as a matter of fact; it was just fed to a heavier finish, and carried a little more weight—it was a larger cut.

But, certainly, if we are to be in a position to conserve meats, that was something that the Food Administration should have advised the consumers of the country to do. But no such information was ever given to the consumers of the country. And the producers of the heavy lambs took the same loss as the producers of the heavy hogs did.

The CHAIRMAN. In the meatless days the people were permitted to eat chicken, were they not?

Mr. LASATER. Yes, sir.

The CHAIRMAN. Now, the Food Administration has relaxed the lamb embargo and put an embargo on chicken?

Mr. LASATER. Yes, sir. Of course, Mr. Chairman, they should not have put any of these restrictions on the consumption of meat when they were not necessary; as I showed this morning, it was Mr. Hoover's intent to break the beef market at least as early as October; he announced his plan to do that, and he did do that.

The CHAIRMAN. You told me something at one time about a conference between yourself and Mr. Smith, one of the buyers; would you care to say anything about that for the record?

Mr. LASATER. I read that into the record this morning. That was when I made the statement that this buyer had said to Mr. Pinchot and myself that Mr. Hoover had requested him to stay out of the beef market for the time being. Mr. Hoover gave as his reason for the request that the market would go lower; and as we know, it did go lower.

This buyer went on and explained that, after some solicitation with Mr. Hoover, he got permission to fill part of their refrigerator space in the ships that were returning to England empty, with what is called the "edible offal" and "boneless meat." Edible offal is the heart, kidney, liver, and brain; and boneless meat is just a little better than that used by the canners, in that they take out the bone and it is frozen. I suppose they use it for sausage making, and so on.

The CHAIRMAN. Do you not think that on wheatless days people eat more meat, and on meatless days they eat more wheat? That it is just a zigzag proposition?

Mr. LASATER. Well, of course, you have to eat so many calories of food, and if you are deprived of one kind you will eat another.

I want to say this: I have not been opposed to the conservation of any foods that the man that was supposed to be posted felt was necessary. The point that I tried to make, and did make, with Mr. Hoover, when I first went into the Food Administration, was, that as we are to-day, we have no surplus in our world—in the allied world and America—of food-stuffs of any kind. We are living practically from hand to mouth. I tried to convince Mr. Hoover, and he recognized the fact, as shown in that Creasy letter, that there was no chance to accumulate a surplus if the producers of the country were forced to

do it at their own risk—it would not be human nature for them to do it—but I thought the Government ought to advise the food producers of the country at once what supplies they would probably want, and I suggested the statement that was made in the Creasy letter, that in the event a loss was inevitable, if we got too much of any food supplies, it should be borne by the whole people, and not by a part of the people.

That seems to me to be just, and I believe it is economically sound, because I do not believe there is any way to accumulate that surplus entirely at the risk of the producers.

The CHAIRMAN. Your idea is that, when he produces an abundance of food supplies, he penalizes himself?

Mr. LASATER. That is exactly what the producers of the country have done this season. The cotton producer has produced light crops, and you see what the result has been on cotton.

The CHAIRMAN. Yes. Is there anything further that you wish to say, Mr. Lasater?

Mr. LASATER. No; that is all, Mr. Chairman.

Senator WADSWORTH. Have you any other witnesses for this afternoon, Mr. Chairman?

The CHAIRMAN. Mr. Teagarden, from Montana, wishes to speak for a few minutes.

Senator WADSWORTH. I do not want to interrupt him, but at the conclusion of the hearing of to-day I have a matter to bring up before the committee which I think of sufficient importance to be brought up immediately.

The CHAIRMAN. Very well; we will be glad to have you present it.

(The various data subsequently submitted by Mr. Lasater, at the request of members of the committee, are as follows:)

LETTER FROM NAVY DEPARTMENT.

NAVY DEPARTMENT,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., July 31, 1917.

Mr. E. O. HEYL,
*Committee on Supplies, Advisory Commission,
Council of National Defense, Washington, D. C.*

MY DEAR MR. HEYL: This letter is to acknowledge and to answer—satisfactorily, I trust—your of the 23d instant, which read:

"The following is a sample of communications from poultry dealers that are coming to this committee on the use of poultry:

"'We are advised that the regulations of the department permit of the purchase and use of poultry on such holidays as Thanksgiving and Christmas and occasionally on Sundays. Therefore, would it not be possible, owing to the exigencies of the present food supply, to waive the usual regulations regarding poultry and use part of the large supply and surplus which is in warehouses in Boston, New York, Buffalo, Chicago, St. Louis, and as far west as San Francisco, that the red meats may be conserved for future use for both our Army and Navy at home and abroad?' "

You are no doubt aware that the holdings of dressed poultry in storage on June 1, 1917, were over 50,000,000 pounds, and is an increase of more than 400 per cent as compared to the holdings at the same period on June 1 last year.

"It is stated that the price of poultry is now considerably below the price of lamb, pork products, and other red meats.

"Will you kindly advise, if the above facts are confirmed and prices are relatively advantageous, if it would be possible to consider the use by the Navy of an additional quantity of poultry?"

Permit me to say at the outset that the week which has intervened between the receipt of your letter and the dictation of my answer has not been attributable in any degree to pressure of business. Rather have I delayed on purpose because I wanted to carefully consider the subject matter and to give you in reply the very best of which I am capable, because I have every reason to think that you and your associates are doing your utmost in a patriotic and wholly unselfish manner to promote the best interests of the United States, which being the case, is at once my duty and my pleasure to cooperate with you to the fullest extent.

Before proceeding to discuss the merits of the case I shall ask you to please permit me to introduce myself so that you may realize that however erroneous

some of my individual views may prove to be, I am very far from being an inexperienced amateur with respect to subsistence.

My experience commenced in July, 1900, when I reported for duty as supply (and commissary) officer of the battleship *Kearsarge*; the same duties being continued by me for two years immediately subsequent thereto on board the battleship *Alabama*, to which I was shortly thereafter transferred. From June, 1903, to October, 1906, I served as assistant to the Paymaster General of the Navy; in which position all commissary questions were under by immediate administrative charge. During the cruise of the battleship fleet around the world in 1908 and 1909, I was fleet paymaster (and chief commissary officer) of a force of more than 13,000 men. From 1910 to the end of 1912 I was purchasing pay officer at Philadelphia, where I made a special study of commissary questions; and as a result of said study I secured the passage of an existing law which put an end to the perpetration of commissary frauds through the medium of balanced bids.

From Philadelphia I was transferred once more to duty as fleet paymaster (and chief commissary officer) of the battle fleet, where I continued during my entire cruise to study every phase of practical subsistence for the purpose not alone of protecting the financial interests of the United States, but also for the purpose of securing for the fleet at all times adequate and wholly satisfactory subsistence. From the fleet I came direct to Washington, where on the 1st day of July, 1914, I assumed the duties of Chief of the Bureau of Supplies and Accounts, one of the most important functions of which is administrative control of the commissary question throughout the Naval Establishment.

As an evidence that my heart is still in the fleet and that my interest in this most important question is as keen now as it ever was, I would invite your attention to the following intrabureau order 202, issued by me this day:

"Particular attention is invited to the following paragraphs, quoted from intrabureau orders 33 and 52 of 25 September, 1914, and 10 November, 1914, respectively:

"Because adequate and satisfactory subsistence is the very foundation not only of real efficiency, but of discipline itself, there is no class of purchases for the naval service that needs to be more constantly watched than provisions; our men being no 'poison squad,' but human beings and American citizens, for whom we stand in the relation of trustee in so far as relates to the question of food. It is therefore directed that every effort to try on the Navy any experiments or tests of any food product whatever shall be promptly suppressed.

"No provisions will under any circumstances whatever be accepted if there be the least question as to purity or nutritive value, it being constantly borne in mind that doubtful food is bad and will be treated as such.

"These orders were promulgated in peace time to keep the men contented and in the best possible physical condition against the time when the Navy might be put to the test. That time is now at hand, and it becomes imperatively necessary that the greatest care be exercised by all concerned to the end that food prepared for the Navy shall comply in every particular with the very letter of the specifications as determined by rigid and inflexible inspection.

"The Surgeon General of the Navy has repeatedly stated and the people of the United States confidently believe that the American Navy is the best-fed body of men in the world.

"The only way to continue to deserve that confidence is to watch every ounce of food that is delivered and to unconditionally reject anything concerning which there could be the least possible question."

Having asked (and, I hope, obtained) your kindly indulgence for the period of the preceding somewhat prolonged introductory paragraph, I am going to ask as a further favor that you please permit me now to depart from the stero-typed style of official correspondence and finish this letter in about the same language that would be used if it were my good fortune to be talking to you face to face.

What is that the "poultry dealers are coming to the committee" with?

A proposition that the Navy modify its regulations so as to "use part of the large supply and surplus" of their goods "in warehouses in Boston, New York, Buffalo, Chicago, St. Louis, and as far west as San Francisco, that the red meats may be conserved for future use for both the Army and Navy at home and abroad."

Why should the red meats be conserved when poultry is so plentiful?

Is it not, in fact, because there is, as you say, something like five times as much poultry in storage as there was a year ago; and is not this big oversupply on hand because these same poultry dealers have run the price up so high that it was beyond the average man's purchasing power?

Will not this surplus of poultry disappear just as soon as its price gets down anywhere near what it ought to be; or, stated differently, was it not an expectation of the unearned increment on poultry rather than overdemand for red meats that caused this very large surplus to accumulate?

In so far as the comparative prices are concerned, I have not been able to find where at the present time poultry is cheaper on the average than red meat. Surely, it is a law of supply and demand that poultry will very soon be much lower than it is now if there is such a surplus held in storage, because, unless I am misinformed, there is a legal time limit on how long anybody can keep poultry frozen, and unless I miss my guess, it is much more the time limit than any possible idea of conserving red meats that has caused these poultry people to try to get you to get me to change the Navy Regulations.

As I shall presently endeavor to make plain, I am not prepared to admit that bearing down hard on one kind of meats and easing up on certain others constitutes conservation in fact, but I do say that all our poultry friends need to do is simply to offer their stock for something like the price at which it was held before this surplus began to accumulate and then they will see that the alleged disparity between the visible supply of poultry and red meats will promptly disappear, because the average American citizen can then afford to eat poultry—which, obviously, he can not do now.

If such be not the case, then what little I have read and tried to follow in the way of practical economics was written upside down.

As indicated before, I believe this poultry versus red meat business is all a question of price, not patriotism nor even conservation.

Unless poultry and red meats are entirely interchangeable in their use, then there is nothing for us to talk about. If they are (as I maintain and have always found) but individual items which together go to make up one meat total, then I fail to see where you conserve your supply by simply shifting your daily markets from one item to another item. I know perfectly well that every time I have been to sea and all the time I have been in control here in Washington, the so-called red meats and the poultry add up to one common meat total in the Navy, which being a fact it makes no practical difference whatever whether you eat poultry one day and red meat six days or vice versa. This I also know: You can not possibly save or conserve your product or aggregate supply by simply shifting over from one kind of meat to another kind of meat. It is a mere matter of arithmetic, and in its simplicity suggests the old saying that "you can not eat your cake and have it, too."

The foregoing refers to normal conditions; that is to say, where all meats are selling at their normal prices and there is no speculation or holdup. In the present instance, however, where so much poultry has been held for higher prices, I realize that it is a question of either using this poultry or having it go to waste, and that the quantity of red meats consumed will be decreased proportionately by the quantity of poultry consumed. But the answer to that is to sell the poultry to the general public at its proper market price and the general public will then to that extent ease down on its consumption of red meats until the surplus poultry is exhausted.

If you get everybody in the United States to not eat any meat (including fowl) one day in the week, you will add just one-seventh to the total available supply. If you would go further and get everybody to really be careful about not cooking or serving more than they reasonably need and then see to it that nothing that can properly be used is thrown away or otherwise wasted, you will find such a saving as will surprise you—far more, I believe, than the present or prospective shortage in anything could possibly call for.

I admit that this suggestion of mine is not based on any concrete figures; but I know, as everybody else knows, that Americans are as wasteful as they are generous—the two qualities, in fact, going hand in hand—and I am willing to stake my professional reputation as an experienced commissary officer that the statement I have made to you is absolutely sound.

In so far as pertains to the possibility of changing the Navy Regulations so as to make a market for the surplus poultry, I certainly will do no such thing, unless, of course, so directed by competent authority. The Navy ration has been established along entirely different lines and can not, in my opinion, be suddenly changed on any such —

Were it not so, however, and were the whole progress of Navy subsistence to be modified from time to time at the suggestion of individual interests, such modification could have but little effect on the market in general, for the very good reason that the 200,000 persons enlisted and commissioned in the naval service constitute but a scant one-half of 1 per cent of the total population of the United States.

In connection with the subject matter of your letter and with special reference to the kindred question of conserving vegetables, I think you will be interested to read the following quotation from a memorandum submitted to me (by request) by the officer in the Bureau of Supplies and Accounts who, under my general direction, has immediate charge of the administration of the Commissary Department of the Navy:

"Much is heard these days about the conserving of food and articles are appearing in the various newspapers in which the dehydration method is being urged as a means of conserving fresh vegetables, with particular reference to Irish potatoes.

"If fresh vegetables are being wasted because they spoil before they can be used, it must be because the supply is greatly in excess of the demand, and yet during the past year the price of potatoes rose to above 5 cents a pound, of onions to about 7 cents, and of cabbage to nearly 10 cents. These prices, if they are bona fide and based as they should be on the law of supply and demand, would indicate that the supply of these vegetables was far below the demand therefor—which being the case, there would appear to be no vegetables of last year's crop left to dehydrate.

"When it is realized that the usual price of the three items of vegetables mentioned is in the neighborhood of 2 cents a pound, it will be seen that were the high prices of last year actually caused by short crops there must be a great increase in the size of the crops this year to bring the prices down to normal and to what the average consumer can afford to pay for them. Conservation of this year's potato crop by dehydration would not, therefore, seem to be necessary; and the only conclusion that can be drawn is that the high prices which prevailed last year were due not to a shortage in the supply, but to the fact that large quantities of vegetables were being held for the sake of obtaining high prices and that the prices were so high that the people in ordinary circumstances could not afford to buy them. Consequently large quantities of these items were left on the hands of the speculators when this year's crops began to come in, and in order to avoid loss by the deterioration of last year's crop, they now wish to dehydrate the remainder and foist them on the Army and Navy.

"Just why they pick the Army and Navy is not known, as it would seem that were the dehydrated vegetables all that is claimed for them (by the manufacturers, of course) they would be in such demand by the general public that there would be little left to sell to the Army and Navy.

"In nearly all the articles that appear regarding dehydration of vegetables severe criticism is directed at the Government departments, one of the articles which appeared very recently stating that 'the dehydrators have no organization at Washington, but the balliwick of the canners is located within speaking distance of the Department of Agriculture. Former high officials of the Department of Agriculture are now in the employ of the canners.' The same article contains the statement that 'Army and Navy officials have gone even a step further and have actually lied about dehydrated products, notwithstanding the enthusiastic reports concerning the merits of these products which confront them in the hidden files of the War Department.'

"The writer of the article (whose connection with the dehydrators is not stated) goes on to say, however, that 'for two years, up at the Willard Hospital for the Insane, at Willard, N. Y., dehydration has been practiced on an extensive scale'; and that he recently ate dinner in the almshouse at East View, where on the table were placed dehydrated products which had been produced at Willard with the assistance of homemade devices and which had converted what would have been refuse into the most wholesome, nutritious, and delicious of foodstuffs. All of which goes to show only that lunatics dehydrates vegetables and paupers eat them.

"It is very clear from the insistent demand of the manufacturers of certain dehydrated products, and the lengths to which they have gone to force their products upon the Army and Navy, that they realize there is not sufficient merit in their products to insure their sale to the general public, and that therefore their only hope of obtaining a market is to force them on the Army

and Navy. Meanwhile, however, the responsible officials hold, and will continue to hold, the view that anyone who wants to 'try it on the dog' will find that the Army and Navy are not the dogs they are looking for, that the men in the service of the United States are no poison squad, and that the food served to them will be in general of the same variety and of the same or better quality than that which is found in the average home in this country.

"That this is true of the Navy at least is shown by the testimony of the Surgeon General, whose duty it is to care for the health and comfort of the enlisted personnel, but who is in no way connected with the purchase or furnishing of subsistence supplies, who stated in a letter to the Paymaster General, written in 1915:

"The medical officers of our service submit on the 1st of January of each year an annual sanitary report containing information on all items bearing on the well-being of the personnel aboard ship, including, of course, observations on subsistence and the general messing system on their respective vessels.

"It has seemed to me that it would be of interest to you to know the uniformly commendatory character of these observations as regards your department. I will therefore quote, somewhat at length, but by no means fully, from various reports as follows:

"The Navy ration as supplied on board this vessel is exceptionally good, and the freedom from complaint by the members of the crew with regard to the quantity and quality of the food is remarkable."

"The Navy ration has been of excellent quality and well prepared. The general mess system has been appreciated by the crew."

"The feeding of the crew and expeditionary force by the commissary officer was most commendable. Rarely has the medical officer seen men live as well under every condition."

"The ration as supplied by the Pay Department is always of excellent quality and sufficient quantity and is served in a highly acceptable manner."

"The food supply, both fresh and dry provisions, received in various ports visited, has been of excellent quality, the preparation has been satisfactory and there has always been an abundance served."

And again in a letter dated August 29, 1916:

"I was prompted last year to write you a letter advising you concerning the excellent opinion expressed by the medical officers of our service on the work of your department and on the quality of your ration. I gave you a few samples of the many commendatory paragraphs of this tenor excerpted from annual sanitary reports. The reports of this year have been even more favorable, and I would repeat them here were it not that the repetition might seem monotonous. I can assure you, however, that no navy in the world is as well fed, as well clothed, its general welfare so thoroughly looked out for as that of the United States; and I am glad to offer you and the entire personnel of your corps my heartiest congratulations for the large share you have had in producing this well-being and its resultant contentment.

"In answer to the argument that we shall need particularly large quantities of potatoes for our forces abroad (and this is the main item in which the dehydrators are interested, owing to the quantities purchased), the following is quoted from a recent official dispatch received from Vice Admiral Sims in London:

"Do not ship potatoes unless requested. They are readily obtainable in Ireland. Less than United States prices."

"In February of this year the Paymaster General of the Navy undertook to draft legislation aimed to make it a crime for anybody to hold food on storage unreasonably long.

"But before so doing he had two of his officers take up the matter with an official in another department who was known to be an expert along such lines, who stated that he would not advance any information whatever with regard to the proposition, as he considered that it was basically wrong—there being no vestige of proof, so far as he had been able to ascertain, that there was any combination in restraint of trade in so far as food products were concerned. This official went on to say that in most cases nature provided a limit to the length of time that the various commodities could be kept in storage. He cited, for example, the item of potatoes, which were planted only at a certain time, gathered at a certain time, and could be kept only for a certain length of time, and stated that any effort of material importance to hold

this stock would result in certain loss. This would seem to be exactly what is the cause of the present efforts to conserve the vegetable supply by dehydration.

"He cited figures to show that the supply of eggs in storage in February of this year was only one-fourth as large as in February of last year, and yet just at this time the papers were full of reports about the large quantities of eggs being held in storage—one man in particular being reported as having an enormous quantity. It would seem quite possible, therefore, that the information upon which his figures were based was incorrect."

In order that the purpose of the proposed food bill referred to in the above-quoted memorandum may be perfectly well understood, I want to quote verbatim my own memorandum of February 24, 1917, which I furnished my two officers to whom I assigned the duty of finding a way to lower the unduly high prices of the Navy ration components at that time (which memorandum was written, of course, before I was talked out of pushing the matter further):

"The Washington Post, February 22, shows that certain staple articles of food now cost more in the United States than they do in Italy, and that the prices of a number of staples are higher here now than they were in 1864, just prior to the close of the Civil War.

"This is a condition for which I think heavy exportation and railroad embargoes and other normal causes do not fully account; so much so, in fact, that I have a hunch that manipulators and speculators are holding back the food supply and penalizing the ultimate consumer, thus working a very real hardship on everybody, but most especially on people who work for a fixed salary, and who are therefore in the position of practically being paid with and having to live from a depreciated currency. This hits the Government clerks harder than anybody else.

"To the end, therefore, that we may have a clean showdown, and especially that the cost of the Navy ration may not be permitted to jump any higher than may properly be the case in response to the orderly workings of the principle of supply and demand, and in general so that the poor man everywhere may have a chance to come as near living as is possible, it is my purpose to cause to be introduced at the first possible moment an amendment to the general deficiency bill hitting at the men who hold back on the necessities of life, waiting for an even more inflated price than they get now.

"If I am mistaken, and if there be any real reason for the present enormously high prices of food, then nobody can be done any harm by trying to knock the props out from under the manipulators and speculators. If, on the other hand, somebody is attempting to enrich himself at the expense of the general public, and particularly the workingman, then I take it that the mere introduction in Congress of a very drastic and far-reaching penal proposition like the one I have in mind will have such a prompt and far-reaching moral effect that the prices of foodstuffs will drop perceptibly within 24 hours.

"In any event, it seems to me that the situation is a very grave one, and that something ought to be done at once."

In general (and as my learned friend the Judge Advocate General of the Navy would say, "subject to the foregoing remarks"), I am for conservation just as soon as anybody asks as to conserve his product by buying the other man's. Thus far I have not heard of any such proposition coming from any interested party—not even a poultry dealer.

Yours, faithfully,

McGOWAN,
Paymaster General of the Navy.

REPORT BY CERTAIN MEMBERS OF THE LIVE STOCK INDUSTRY COMMITTEE.

[Submitted to Mr. Hoover Sept. 18, 1917.]

The undersigned members of the Live Stock Industry Committee, having been called to the office of the Food Administration, and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable

under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide:

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government, and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitations of packers' profits to a reasonable amount, based as nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit, and no more. Such fair profits we believe will be satisfactory to the producers and to the consumers.

Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total annual sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

(a) By Government control of exports from the United States.

(b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.

(c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other Governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as these make necessary something more than the mere licensing of the packers; and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

(1) The Food Administration should see to it that all meats and animal products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential; bearing in mind that no great increase in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

(2) Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must therefore come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies we believe it would be possible to increase the supply of fattened cattle by making

contracts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to go in during the next three months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

(3) Hogs are finished for market at from 6 to 12 months of age. In the corn belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past 6 to 9 months the relation between the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs, and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six months must come either from the further marketing of brood sows (which would tend to reduce the pig crop) or heavier weights than is usually found profitable. An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs marketed during the next six months. The number of hogs to be marketed during that period can not be increased, but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

During the next five months the price of hogs at the central markets should under no circumstances be permitted to go below the cost of production as measured in the value of the corn fed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs when fattened for market shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing, the following are suggested:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit. Said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential, and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets, including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers, and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence the price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect, it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agents under public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies the foregoing recommendation may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that such assurance is needed, if production is to be stimulated to the extent the Food Administration thinks necessary. If prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

1744 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

LETTER FROM THE PRESIDENT OF THE NATIONAL MILK PRODUCERS' FEDERATION TO
HERBERT HOOVER.

WASHINGTON, D. C., November 21, 1917.

Mr. HERBERT C. HOOVER,
United States Food Administrator,
Washington, D. C.

SIR: On November 8 the following order was made by the War Trade Board, purporting to have been made at the request of the United States Food Administration:

"The War Trade Board, at the request of the United States Food Administration, on November 8, 1918, announced the following additional regulation to govern the exportation of condensed milk:

"No license shall be granted for the export of condensed, canned, powdered, or other form of preserved milk, unless there shall have been filed with the Bureau of Exports a certificate of the manufacturer stating that such milk has been sold directly to the exporter and for export purposes; or unless compliance shall be had with such other regulations as may be determined by the Food Administration.

"In order to secure a license the exporting concern must procure from the manufacturers and file with the War Trade Board a certificate setting forth that the milk was sold direct to the exporter and for export purposes, and that the raw milk from which the finished product was made was purchased at prices no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated.

"The object of the certificate from the manufacturer is to discourage the operations of speculators who have been purchasing from the retail stores the brands of milk which the manufacturer has set apart for distribution to the American public. The operations of these speculators has created a false condition of the market, and the United States Food Administration has felt that if the exportation of canned milk could be controlled by the manufacturer the true export demand and the real demand for home consumption could be accurately determined, and a distribution made of such surplus to our allies for civilian as well as military purposes.

"A large number of applications for license to export condensed milk have been held for consideration by the Bureau of Exports and these will now be returned to the applicants with the request to reenter the applications when certificates have been obtained from the manufacturers of the brands sought to be exported."

These requirements, accompanying the above order, I desire personally and in a representative capacity, as president of the National Milk Producers' Association, to most respectfully but earnestly protest.

In stating reasons for such protest there are some fundamental facts to be considered:

First. The greatest and most important of these at this time is the one that calls for the sacrifice and patriotism of all classes of citizenship in the prosecution of the war.

For months the milk producers of the country have been waiting upon an independent investigating commission of the Food Administration for a report upon the cost of producing milk. Every request of the Food Administration, and of the commission so appointed, has been complied with by the producers, and they have many times, through their representatives, offered to produce and sell their product at cost, plus such reasonable profit as the Food Administration should find proper. Such report has been anxiously awaited, but has not yet been made. We are not disposed to criticize the Food Administration nor the commission at this time for such delay, although great embarrassment to the milk producers of the country has been caused thereby.

Investigations are now in progress in the cities of New York, Chicago, and elsewhere that will undoubtedly fix for a time the prices to be paid to producers for milk within the zones surrounding such cities and wisely influence outside prices. The Food Administration has been instrumental in starting these inquiries, at which all parties in interest may be heard.

Second. The condensories (canners) are organized into an association known as the "Canners' Association of the United States," and as such the Government deals with them collectively in Government purchases of condensed, evaporated, and powdered milk. While these condensories that buy the farmers' milk are organized, and as such are recognized by the Government in the

sale of their product, the farmers whose milk is thus being sold are not allowed such privileges or immunities without threatened prosecution.

Third. There are more than 400 factories manufacturing condensed, evaporated, and powdered milk in the United States. There are no two of these factories competing with each other in the purchase of the farmers' milk. No two of them are in the same town or milk factory. If they have competition, it is with butter and cheese makers or with distributors for towns and cities.

Fourth. These condensories are chiefly located outside the zones supplying larger cities with milk and have been induced to locate where they are for the express purpose of affording the farmer a fair market for his milk.

Fifth. Milk is the most perishable of all farm products and does not permit the farmer to store, ship, or wait for a more favorable market, a right and privilege enjoyed by every other industry.

Sixth. The 400 condensories have an approximate valuation of \$20,000,000. The 6,000,000 milk producers, with 22,000 cows, have an investment in their herds of not less than \$1,600,000,000, and an actual investment in the building and equipment for their housing and cars. If the condensory, butter, or cheese factory close to-day, it may open again in a week or month hence. If the herds be sent to the butcher, it will require a decade to return them.

The cows cost the farmer nearly, or quite, \$150 per year for feed and care and can not be kept idle. Four hundred condensories are guaranteed cost and profit. The 6,000,000 milk producers, with their \$3,200,000,000 of investment, are not only producing without guaranty, but are threatened with prosecution when they organize to deal collectively, and now are faced with a governmental order denying to them a competitive market. In other words, they seem to be made the buffers of the industry, backed up against the unyielding rocks—the advancing cost of production.

WHY WE PROTEST.

(1) The requirements accompanying the order are un-American. The sole purpose of legislators Federal and State, has been to leave open the field of competition and not to restrict the same. These requirements made of the condensory, which seeks to export its milk, restrict the condensory in the matter of price, and deny to the farmer a competitive market.

(2) They take from both the farmer and the condensory the right of contract, but fix a maximum price that the condensory can pay to the farmer for his milk. Such maximum price is not one made by the Government, nor by any agency of the Government, but is one that may be conjured and collusively made in any one of the 400 localities where these condensories exist.

(3) These requirements provide that the condensory must purchase "at a price no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated." Nothing is said in these requirements about the meaning of this clause. Does it mean the average price paid by other owners? Does it mean the maximum price paid by other buyers or the minimum paid? Who is to construe this clause? What agencies are to finally determine its meaning?

(4) The effect of these requirements will be to permit the Cannery Association of the United States to fix any price they please for the farmer's milk in localities where these condensories are located and to support their position by and through the authority of the Food Administration. Neither the order nor the requirements attending undertake to fix the price that the exporter shall charge for the manufactured product. They merely require that he shall buy his raw milk at a minimum price, leaving the cannery association a wider field for profits.

(5) The explanatory statement accompanying the order is an elusive fiction. It purports to be made for the purpose of preventing speculation in manufactured milk and to protect the consuming American public. An analysis of the order and requirements will prove that its effect will be exactly the opposite. Had the purpose of the order been as explained, then the order of the War Trade Board with its additional requirements would have been complete, but providing that only manufacturers could export their product. Speculation in canned milk for export purposes could have been prevented without these oppressive restrictions bearing solely and alone on the milk producers of the country.

(6) If one condensory, seeking to export its products, is compelled to buy at no higher price than is paid by other buyers, it must, nevertheless, buy all of

its milk at this low price. No condensory can pay one price for milk for export and another price for home consumption. If one condensory in the country thus buys its milk cheaper than another condensory, it forces every other condensory in the country to this low price in self-defense. In other words, it no longer leaves the price to be paid the farmers for condensed milk anywhere in the country as a matter of contract between the farmer and the condensory, but to the dictation of whatever irresponsible bidders there may chance to be in the neighborhood where the condensory is located. This rule would make it possible for the great interests controlling the condensories of the country to quickly and easily control the localities where these condensories exist, under this governmental regulation, practically destroying all competition between condensories.

We therefore earnestly request that the Food Administration reconsider the request made upon the War Trade Board, or that the requirements accompanying said order be so amended and changed as to eliminate any reference to the prices to be paid to the farmer for his milk, or that the Food Administration fix a minimum price to be paid to the farmer, or that it establish an agency before whom the farmers, as well as the condensories, may be heard in the fixation of a price to be paid for raw milk, or that in the certificate so required of the manufacturer he shall be compelled to state that he has paid to the farmer the cost of production of milk in the locality where the condensory is located, plus a reasonable profit, or a price equivalent to, but not more than, the price paid for raw milk in the territory supplying the larger cities of the country, or a price equivalent to, but not more than, the price to the producers of milk in the territory supplying the cities of New York and Chicago, or either one of said cities nearest to the condensory.

Again assuring you that the milk producers of the country are ready to abide by any reasonable rules or regulations that may be made by the Government or its constituted authorities, that they stand ready to perform any and every patriotic duty, and only ask for such consideration as is given to every other industry in the country, I am, most respectfully,

Your obedient servant,

(Signed) MILO D. CAMPBELL,
President National Milk Producers' Federation.

EXCERPT FROM TESTIMONY OF WALTER M. TWOMBLY IN EXPARTE INVESTIGATION OF MEAT PACKERS, BEFORE THE FEDERAL TRADE COMMISSION, WASHINGTON, D. C., JANUARY 26, 1918, SHOWING PERCENTAGES ON WHICH THE LIVE STOCK OF THE UNITED STATES IS APPORTIONED AMONG THE LARGE PACKERS.

Mr. HENEY. * * * These proportions of the National Packing Co. are referred to by this index.

A. Yes, sir.

Q. And the first small sheet there contains on it, what?

A. The first small sheet reads, in pencil—that is, there was something at the top of it which is scratched out. This is the original, which was found, and I can not read that. The first that shows is "HAC. Can you give me Nat. p. Co. percentages?"—National Packing Co. percentages.

This was written by Mr. Edward F. Swift, the handwriting being identified by Mr. John M. Chaplin, who has been with Swift & Co. for a great many years.

Q. You personally asked him that?

A. I asked him about it.

Q. Who is HAC?

A. H. A. Chetham, one of Mr. Edward F. Swift's private bookkeepers, who looked after his very private matters. This sheet reads: "HAC. Can you give me Nat. P. Co. percentage?"

And then: "A & Co." Evidently "A. & Co." was afterwards scratched out in pencil.

And, then, on the side is: "A. & Co., 40.11; S & Co., 46.70; and M. & Co., 13.19"; and those are added up, figuring "100.00 HAC." Those were in the first National Packing Co. percentages.

Q. And Mr. Chaplin said he had put them down there, did he?

A. No.

Q. Did he say that it was his handwriting?

A. No. He identified this question: "Can you give me Nat. P. Co. percentage," as being in Mr. Edward F. Swift's handwriting; and he said he thought that the "A. & Co., 40.11; S. & Co., 46.70; and M. & Co., 13.19," adding up "100.00," signed "HAC.," were probably in the handwriting of Mr. Chetham.

Q. Who is Chetham?

A. One of Mr. Edward F. Swift's confidential bookkeepers.

Q. He is employed in the president's office?

Mr. HENEY. Mr. Commissioner, these are the same percentages that were shown at their trial in Chicago to have been the percentages of the National Packing Corporation. The National Packing Corporation was dissolved in the year 1912—in August, 1912, it was started, but it was completed during the year 1912—toward the end of the year.

In dividing up the property, the records show they did not turn back to Swift & Co. all of the different plants that had been purchased by Swift & Co., nor to Armour & Co. those purchased by Armour & Co., nor to Morris & Co. those purchased by Morris & Co. But they evidently turned back, or they evidently turned over to Swift & Co., to Armour & Co., and to Morris & Co. plants which would enable Swift & Co., Armour & Co., and Morris & Co. to retain the percentage of business in each particular city where those plants were located, which they had enjoyed under the National Packing Co. incorporation. Do you get my idea?

Commissioner MURDOCK. Yes.

Mr. HENEY. For instance, Edward Tilden had purchased a large number of shares of stock, something like 83½ per cent, of the S. & S. Co. (Swarzschild & Sulzberger), which is now Wilson & Co. They purchased it from Frederick Joseph, who was the vice president, and Samuel Weil, who was the brother-in-law of Sulzberger.

Edward Tilden had also, through Frederick Joseph, purchased a controlling interest in the New York Dressed Meat Co., which was a concern composed of a lot of independent slaughterers, who had gotten together and put up quite a fine plant, and Joseph had represented he wanted it for himself, and it was taken in his name. Edward Tilden was then president of the National Packing Co. and furnished the money. I will show this by records that we have in our possession now.

When the division took place Armour & Co. were given interest in that company, and Swift & Co. were given stock in the S. & S. Co., and they continued to be heavy stockholders in there ever since, even up to the present time.

Commissioner MURDOCK. Have you any knowledge at all upon what these different percentages were based? Why 40.11 in one case and 46.70 in the other?

Mr. HENEY. Yes.

Peace was declared on the map, as it then stood, without any annexations. In other words, at the time they entered into the agreement apparently each one was to retain what he had in the different territories, and certain territory was left open to competition to acquire, and if one acquired an independent plant he got that much additional right to a larger percentage. That seems to be still going on.

I would like now to take up this second sheet, because my conception of this is that after the National Packing Co. was done away with, early in 1913, or at the end of 1912, the new arrangement was made by which Cudahy and the S. & S. Co. were brought in. They were not in the National Packing Co. They were brought in on a new basis now, and a percentage was agreed upon which is still in existence, been in full force during 1913, 1914, 1915, 1916, and 1917, as we will see by their own records; and that it covers the purchase of cattle, sheep, hogs, and calves throughout the entire United States, including even the country buying.

Q. Mr. Twombly, will you explain that second sheet?

A. On the second sheet, which is written on a sort of loose office tabulating sheet, are the figures 45.000, without the dollar sign but evidently \$45,000, because there are two "0's" and the nought mark under it, and that appears three times. Just what significance those have, I do not know.

On the left hand I find:

"A 29.26

S 35.75

M 14.98

S & S 10.00

Cudahy 10.00"

and a line drawn and the addition evidently was made as 99.99, which it adds, but in rather heavier pencil is written "100.00." The total was 99.99, but they have made it 100. That is made 100 per cent more evenly when the figures are carried to the third decimal place on some other papers here.

This whole thing is bracketed that I have just read, and up at the top is an equality sign and "100%" "= of 100%."

Under that is "%."

Under that is: "= live buyers."

Over on the right there are some more figures. The first one opposite "A." meaning Armour & Co., "36.58"; opposite "S" is "43.69," and opposite "M" is "18.73." Those three added together make 100 per cent.

Q. Will you tell the commissioners whether you had any talk about this with anything connected with Swift & Co., and if so, what the talk was?

A. After I had found this sheet and some other papers, I came down from the vault and Mr. Chaplin, having come in the room where I was, I put that thing on the top with some other papers, and I asked him what he thought about it. He said, "I don't know what it means; I have no idea." He could not tell me anything about it at all. Then Mr. C. Stephenson, who is Mr. Edward F. Swift's confidential man, came into the room. He saw this same sheet, and because our relations had been rather friendly, and at time a little jocose, he picked it up and said, "Well, Twombly, what have you found? Have you found something?" I said, "I don't know. Have I?" He said, "No. You are a good fellow, Twombly; just forget it; nothing to it; to hell with it."

Mr. HENEY. I only state now, Mr. Commissioner, what we will show, so that you will see the significance of the testimony as it is produced.

From early in 1915, and for the years 1913, 1914, 1915, 1916. and 1917, the purchases all over the United States have been in that exact proportion, as closely as could be gotten, including, as I say, the country buying.

We will show, in addition to that, by their own records, that when they incur joint expenses, such as in opposition to the Borland resolution, that they divide the expense in exactly these proportions on this second sheet.

We will show, in addition to that, by letters and correspondence taken from their files that there is not any question about this understanding, and I would like to call the attention of the commission to the fact that these papers have every evidence of the age which we are giving to them.

Commissioner MURDOCK. Do you think in case the packers wanted to beat a man for Congress in Missouri for instance, Kansas or Iowa, and they contributed \$1,000 for that purpose, that Armour would be shown to have paid 29.26 per cent, and Swift 35.75 per cent, and Morris 14.98 per cent, S. & S. 10 per cent, and Cudahy 10 per cent?

Mr. HENEY. You will notice there is 1 per cent missing there. They have taken care of that 1 per cent, and the division is really this way: Armour, 29.266; Cudahy, 10; Morris, 14.983; Swift, 35.751; Wilson, 10; total, 100.

Commissioner MURDOCK. That is, they brought in that extra 1 per cent by extending the decimal point?

Mr. HENEY. Yes. On Wilson's files we find this sheet: "Rate percentage"—and this is a photostat of the original:

" A	292.66
S	357.51
M	149.83
W	100.00
C	100.00
<hr/>	
Total	1000.00

Commissioner MURDOCK. You can not appreciate this unless you see the actual document itself, because very apparently these different percentages are a per cent of 100 per cent of buyers.

Mr. HENEY. Yes.

Commissioner MURDOCK. It shows there and it does not show here.

Mr. HENEY. Here is the Wilson Co. sheet.

Commissioner MURDOCK. They did not let Cudahy in on that, though.

Mr. HENEY. There are certain things that Cudahy does not get in on. I think it is important to understand this: There are certain places in the United States where the division of purchase by Armour and Swift is 50-50. Cudahy is in on this "C-100," you know.

Commissioner MURDOCK. But when they came to dividing that 1 per cent he did not get in on that.

Mr. HENEY. No; he did not get in on that. There are certain places, for instance, where only Armour and Swift have plants. They got in there first and when peace was declared the territory all belonged to them and the others do

not buy at all and they buy 50-50. Now, any expense that is limited to that particular point would be divided 50-50. The others not being interested in it, it would be divided 50-50 between them; but anything that involves the whole situation would be divided according to the percentages that appear here.

In connection with that I want to read a letter from Swift & Co. files, dated July 27, 1916:

“ Mr. T. E. WILSON,
“ Care Sulzberger & Sons Co., Chicago.

“ DEAR SIR: Referring to matter discussed at meeting at Mr. Meeker's office this morning—

That is Meeker, of Armour & Co.

“ Referring to matter discussed at meeting at Meeker's office this morning, M ”—

Meaning Morris—

“ is willing to join with the others in the event of a certain contingency. If such contingency happens favorably he will then come in, but will not come in until the contingency has happened or until the time for it to happen has passed. C ”—

Which is Cudahy—

“ is to let us know next week what their position is.”

You will recollect I read some correspondence showing that about this date they asked Cudahy to come in because his attorney had influential acquaintances in Washington.

Commissioner MURDOCK. That is Mr. Creigh?

Mr. HENEY. Yes.

“ I inclose memorandum which shows (1st) percentages and distribution if all come in; (2d) the percentages and distribution without C; (3d) the percentages and distribution without M and without C; it being understood that if C comes in a refund will be made to the parties who have come in, and, if the contingency happens in our favor, upon which M will come in, a refund will be made to the parties who previously have come in.

“ Please send me check for the amount shown on statement No. 3.

“ Sincerely, yours,

“ HENRY VEEDER.

“ HV/NA”

That is to T. E. Wilson. The statement appears:

“1st.”—That is, where they all come in—

	Per cent.	Amount.
A.....	29.266	\$4,389.90

This was going to be a \$15,000 fund to prevent the passage of the Borland resolution. That is for the publicity end of it, at the end there—I suppose it is publicity; it must have been all publicity—

	Per cent.	Amount.
C.....	10.000	\$1,500.00
M.....	14.983	2,247.45
S [which is Swift].....	35.751	5,362.65
W [Wilson].....	10.000	1,500.00
Total.....	100.000	15,000.00

Then, “ 2d.”—That is, with Cudahy out—

	Per cent.	Amount.
A. [Armour].....	32.518	\$4,877.70
M. [Morris].....	16.648	2,497.20
S.....	39.723	5,958.45
W.....	11.111	1,666.65
Total.....	100.000	15,000.00

"3d."—With Cudahy and Morris both out; Armour, Swift, and Morris in—

	Per cent.	Amount.
A. [Armour].....	39 013	\$5,451 95
S. [Swift].....	47 657	7,144 55
W.....	13.330	1,999 50
Total.....	100.00	15,000 00

If you will notice the first one, which included them all, the percentages on this second sheet on which they purchased, the files indicate that this is written, Mr. Twombly says, at least as early as 1914 or 1915, as indicated from the place where it was found in the files.

The WITNESS. The number being given with reference to the filing date, the date which they are filed and not the date of the paper itself. That was a year and a half, at least, before the other thing was made up.

Mr. HENRY. And then we find on January 8, 1917—but I will take that up in a moment. We will find the same percentages in regard to another matter on the Wilson files, another matter entirely, a division of expense of \$1,000 the same way.

Mr. Veeder was attorney for Swift & Co. Mr. Veeder apparently acts as the clearing house on this thing and tells each of them how much he is to pay.

Query: Where did he get his percentages?

And in the "Veeder pool" he was the clearing house and attended to the payment there where one department invaded on the rights of the other by buying more than he should or selling more than he should, checks passing between them, and Veeder's own testimony showed that in one of the trials after the statute of limitations took place the trial took place.

We now have another letter of the same date from Veeder to Mr. Arthur Meeker. That was to Wilson. This one is just the same, exactly, as that one, only he says at the wind-up, "Please send me check for the amount shown on statement No. 3."

By Mr. HENRY:

Q. Mr. Twombly, did you make any effort to find out what those amounts were for, what that expenditure was for, the \$15,000?

A. Yes, sir.

Q. What did you do?

A. The explanation was not forthcoming. I took it up with Mr. William B. Traynor, assistant to the president, in the absence of the president.

Q. President of Swift & Co., you mean?

A. Yes; the president of Swift & Co. He stated that he thought it would be found somewhere, because they were not spending their money without making an entry, but just where such entries were made he did not know, but he would endeavor to find out and let me know, which he failed to do after a whole day.

Mr. HENRY. I want to show another one of the files of Wilson & Co., on the letterhead of the Cudahy Packing Co. This is a photostat copy of the original:

"THE CUDAHY PACKING CO.,

"111 WEST MONROE ST.,

"CHICAGO.

"LEGAL DEPARTMENT.

"December 26, 1916.

"DEAR MR. WILSON: Mr. E. A. Cudahy has passed to me, with the request that I answer it, your memorandum of the 20th, attaching letter of Paul D. Cravath, Esq."—

Paul D. Cravath is a New York lawyer, member of a firm of attorneys for Wilson & Co., and they were attorneys for Sulzberger & Sons Co. prior to that.

"While we are not especially interested in the Webb bill itself, nevertheless we do know Mr. Montague, and will be glad to join with you for our pro rata, which I take it is 10% of the amount suggested by you.

"Yours truly,

"THOMAS CREIGH.

"Mr. THOMAS E. WILSON,

"Chicago, Illinois."

Thomas Creigh is the attorney for Cudahy & Co. and the amount suggested does not appear in this letter, the 10 per cent. I do not know who that Montague may be. There is an attorney by the name of Montague who appears here occasionally. Whether he is the attorney or not I do not know. There is a Congressman by that name from Virginia. I do not know who it refers to.

"CHICAGO, Dec. 22, 1916.

"Mr. T. E. WILSON,"—

A part of the same file—

"U. S. Yards.

"DEAR SIR: Answering your note of December 20, inclosing copy of Mr. Cravath's letter, it will be agreeable to us to pro rate on the proper basis for an expenditure of \$1,000. for the purpose mentioned.

"Yours, very truly.

"WILLIAM MEEKER."

That is the \$1,000 in connection with the Webb bill.

That reference to Montague is Gilbert Montague, because he appeared in connection with the Webb bill, and the Webb bill was a bill which authorized combinations contrary to the Sherman Act, for export.

Commissioner MURDOCK. Gilbert Montague is an attorney of New York City. Is not that right?

Mr. HENEY. Yes.

JANUARY 4, 1917.

Mr. PAUL D. CRAVATH,

52 William Street, New York City.

DEAR SIR: Referring to your letter of December 13, I have taken the matter up with the other interests and have asked them to make a subscription of \$1,000, and have had a favorable reply from all but one.

I will advise you as soon as I hear definitely from that party. I trust this will be entirely agreeable.

Yours, very truly.

Then:

CHICAGO, January 4, 1917.

Mr. EDWARD MORRIS, Jr.,

United States Yards, Chicago.

DEAR EDWARD: Will you kindly refer to my letter of December 20. I have heard from all the other parties and they are favorable to a joint subscription of \$1,000.

Will you kindly let me know whether this is agreeable to you.

Yours, very truly,

T. E. WILSON.

CHICAGO, January 8, 1917.

Mr. T. E. WILSON,

President Wilson & Co., Chicago, Ill.

DEAR MR. WILSON: Replying to your letter of January 4, we will be glad to join the other parties in the subscription of \$1,000.

Yours, truly,

E. MORRIS, Jr.

At the bottom of that letter, nothing having been said. now, up to the present time in this correspondence about percentages appears this, in lead pencil:

A	32.518
S	39.723
M	16.648
W	11.111

Leaving out Cudahy, those are the same percentages as indicated in that other letter.

Commissioner MURDOCK. Yes.

**STATEMENT OF MR. SAMUEL W. TEAGARDEN, FOREST GROVE,
MONT.**

Mr. TEAGARDEN.—My name is Samuel W. Teagarden; residence, Forest Grove, Mont. I am representing the Farmers' Congress, which in turn is made up of delegates from all the farmers' organizations in the State of Montana.

At the time I started East I did not know of this hearing. I was sent here more particularly with reference to the wheat prices, and the question of primary markets, as covered by the amendment to the agricultural appropriation bill.

That amendment suits us perfectly. We are very much in hopes that Congress will pass that bill with the amendment, and that it will be enforced fairly.

I do feel justified, however, in saying to this committee and putting into the record, that Mr. Lasater's statement here and his criticisms of the Food Administration are indorsed by our farm men and women in Montana, and in the Northwest generally. While they have not had his sources of information, yet during the last year there have crept into the agricultural papers and the associated press reports of these hearings and investigations, and we have heard of them in various ways, as by Members of Congress writing to us; and otherwise have obtained sufficient knowledge of what is going on in the Food Administration to convince us that what had been intended and what might have been a country-wide beneficence has been turned into a national tragedy. Our farm men and women do not feel that there has been honesty of purpose in the Food Administration from its head to its foot. We believe the facts justify that feeling upon our part.

If I may be permitted briefly to point out a few of the reasons, merely touching the high lights, I will do so:

When the price of grain was originally fixed the promise was made to us that it would be upon a basis that would stimulate production, and especially of wheat. We were told in advance of our planting season last year to plant every acre of wheat within our possible resources, and that we would be protected in the price.

We planted that wheat, relying upon the good faith of public administration in this country.

Shortly after the Food Administration was inducted into office it began, under Mr. Hoover's direction, a Nation-wide bear raid upon the price of wheat, which resulted in breaking the price from about \$3.05 at Chicago to a final fixation at \$2.20 at Chicago, and about \$1.91 in Montana. In other words, we felt that the assurance which we had of large returns was taken away from us to the extent of at least \$1 a bushel.

Later on, in the matter of hogs, we were urged to grow hogs to the limit of our capacity. A commission appointed by Mr. Hoover, upon which were practical swine growers, recommended a price of \$16 in Chicago, based upon a certain relation to the price of corn. And specifically the commission recommended to Mr. Hoover that a basic price for hogs be fixed at packing places and at points of production generally in the country that would be at least somewhat above the cost of production, to the end that an additional 15 per cent of hog production should be brought about.

But that particular recommendation has been utterly ignored by Mr. Hoover, in spite of our repeated protests from Montana and in spite of the protest of the chairman of our live-stock conservation commission in that State, Dr. Elliott, the chancellor of our State university.

So that in Montana and in western North Dakota and South Dakota and in the sections further on, even close to the Pacific coast, we have been getting Chicago prices of pork, less freight, less shrinkage, and less commission taken by local packers in Montana, by the large markets, and by buyers, whether they represented the local packers or the larger packers in the central Mississippi Valley States.

To illustrate that I will say that on November 26 I sold a 200-pound porker to a hotel at Forest Grove, Mont., and we agreed to take the Lewistown prices. We called up the biggest concern in the city of Lewistown, which has a cold-storage plant and also manufactures the products of pork—bacon, ham, and lard. The price given us was 13 cents a pound, live weight. The next day I read the Chicago price on that same class of pork and it was from 17.65 to 17.85 cents. In other words, I got 4½ cents under the Chicago price; and it cost me more to raise that pig than it would have cost in the territory immediately tributary Chicago. In other words: I produced that hog at a loss.

As the net result of that sort of system in Montana, Dr. Elliott, the chancellor of our university, who is also chairman of our live-stock conservation commission, at a session of the commission in the early part of February, said:

"It is perfectly idle, gentlemen, for this commission to tell the farmers of Montana to increase their hog production or stimulate their hog-growing industry, because the hog-growing industry is dead, and there is none to stimulate."

The farmers of Montana are, as a matter of absolute necessity, growing only enough pork on the farm to meet the needs of the farm. And that is true of other States in the Northwest, covering an enormous section of country. It is true that we are not as big producers of hogs in Montana as they are in Iowa. But the difference between the total amount of hogs shipped out of Montana this year and the number shipped out last year will amount to thousands of carloads.

Now, as to the prices of wheat, we believe the facts show that the President was misled by the grain corporation and the milling division in the Food Administration, through Mr. Hoover, and up to the President.

We believe the facts show that the price of grain was fixed for the benefit of the millers and in total disregard of the interests of the producers.

To illustrate that point, I will simply cite prices at two points:

At Philadelphia the price of wheat is \$2.28 a bushel for No. 1 northern; and at Minneapolis the price is \$2.17, a difference of 11 cents a bushel. It takes $4\frac{1}{2}$ bushels of wheat, in round numbers, to make a barrel of flour. Therefore, the Minneapolis miller pays 50 cents less for the wheat that goes to make a barrel of flour than the Philadelphia miller pays; and that 50 cents difference pays the freight on the flour from the point of production in Minneapolis to the Atlantic seaboard.

That same thing applies to the differential in all these other primary markets, as designated originally by the Federal Grain Corporation. So that we think that is conclusive of the fact that the price was fixed for the milling interests and not for the wheat-growing interests.

In this last fixation of prices we believe the President was misled by the same influences which are profiting by the fact that they have been heretofore able to mislead him. Because, on the basis of existing prices of wheat, corn, rye, barley, and oats, the planting of wheat penalizes itself on every acre. This last fixation could not stimulate production; it simply maintained the status quo of profiteering by the millers.

The price of 100 pounds of wheat and the price of 100 pounds of oats, as a comparison, are so wide apart that, based on present prices, and therefore upon prospective profits, the average farmer in Montana who plants an acre of wheat penalizes himself from \$12 to \$13 an acre.

An average season will produce on our bench lands in those Northwestern States 20 bushels of wheat to the acre, and will produce 45 bushels of oats to the acre. On the basis of the present prices the oats produced on an acre are worth \$51, and the wheat produced on an acre is worth \$38, a difference of \$13 an acre, which represents a prospective loss of that amount to the farmer. If you multiply this by 80 acres it means a prospective loss of \$978 to the farmer on every 80 acres of wheat that he plants under present conditions.

Whether the other grains will be lower or higher in the fall, we do not know; we think they are just as apt to be higher as they are to be lower. So we are up against that proposition, if we meet the appeals of our Government and our country's need for wheat for our armies and for the allies and for the men in all the other industries, to benefit the milling interests, which are grossly profiting, we are asked to penalize ourselves as a patriotic duty.

In regard to dairy products the same process of extermination as in the hog industry is going on in spite of our appeals to the Food Administration.

By combinations among the dairying concerns, they are taken advantage of, both as to prices paid for butter fat and as to the content of butter fat in the cream.

To illustrate that, I made a test on our own cream in a 5-gallon can. We had been sending 5-gallon cans twice a week to the local creamery at Lewistown, and getting credit for from $11\frac{1}{2}$ to 12 pounds of butter fat. We had been getting better results previously, and so I told the wife that I would test the matter myself; I would churn out one of those 5-gallon cans; and I did so. We got 20 and a fraction pounds of butter to the 5-gallon can of cream, or about 8 pounds more than the creamery allowed us.

I took one of those pound packages of butter to the creamery at Lewistown and asked them to test it for moisture. They did so, and found that it had 2 per cent less of moisture content than the creamery was allowed to put in by the State law. So that my wife had worked it out better than the creamery did, on the average.

The same conditions apply as to poultry. The Food Administration came out with its propaganda to eat more poultry and less of other meats. And then, in order to protect the consumer, statements were made in the daily newspapers of the wholesale prices of poultry and the prices that the retailers should charge the consumers. They cut off the profit at that end, but the wholesalers took it out of us by reducing the price paid to farmers for the poultry.

To illustrate that: I went into the market at Lewistown the week preceding Thanksgiving and asked the price of dressed geese. Some were lying in the window, with the price marked on them, 23 cents. We had sold that identical item the year before at 19 cents a pound. Our feed cost meanwhile was at least 50 per cent more. We got 14 cents for geese last November. I looked the matter up in my agricultural papers, and I found that the complaint was general all over the Northwest, women writing to these agricultural papers that the dealers were cutting down their prices; there was no protection in that matter at all. On the contrary, the profiteering, instead of resting in the pockets of the consumer, rested in the pockets of the producer.

The CHAIRMAN. Do you mean the producer or the wholesaler?

Mr. TEAGARDEN. I mean the wholesaler was prevented from profiteering upon the consumer——

The CHAIRMAN (interposing). And therefore profiteered upon the producer?

Mr. TEAGARDEN. Yes, sir; he gave the producer a lower price; he got out of us what he had taken out of the consumer the year before.

As to the price of flour in the Northwest, things are in a grievous condition. In the first place, we feel that the price in the East is a profiteering price. Take your Philadelphia market to-day, and the cost of the 4½ bushels of wheat that go to make up a barrel of flour is \$10.21 to the miller. The miller is taking all of the value in the by-products, which would be worth about \$1.10 or \$1.12, plus about 16 cents over the cost of the wheat, making, therefore, a total gross profit above the operating and selling cost of about \$1.28 per barrel, or a little more than 28 cents per bushel. I submit that grandfather's mill in the old days ground wheat into flour for less profit per bushel than that.

But on top of this price in Philadelphia the Montana mills pay \$1.91 instead of \$2.28 a bushel for our No. 1 northern wheat. In other words, they pay \$1.62 less for the wheat that makes a barrel of flour than the Philadelphia mills pay, and the big mills out there charge us 75 cents or 80 cents more than the Philadelphia miller, or a profit, on top of the Philadelphia profit, of 50 cents on a 49-pound sack. And that condition is proportionately general all over the Northwest—from Minneapolis west to the Pacific coast.

Senator NORRIS. You mean that they buy the wheat on the basis of the prices there, and they sell it, in the shape of flour, based on what it would cost to buy it in Philadelphia; is that the idea?

Mr. TEAGARDEN. No; based on what it would cost to buy it in Minneapolis, which is the nearest primary market for us. In other words, they take off the 18 cents freight charge to Minneapolis in buying the wheat, although I drive my wagon right up to the mill door and dump the wheat in, and then when they put the flour into my wagon in place of the wheat they add the Minneapolis freight to the price.

Senator GRONNA. Both the price of the flour and that of wheat is made at Minneapolis, is it?

Mr. TEAGARDEN. Yes, sir.

Senator GRONNA. They add the transportation charges on wheat and also on the flour?

Mr. TEAGARDEN. Yes, sir; and the packers and meat houses do the same with regard to hogs.

The CHAIRMAN. In other words, you have to pay the transportation charges both ways?

Mr. TEAGARDEN. Yes, sir; and that is why we have had to go out of the hog business. We have not gone out of business entirely, because we have got to grow meat or starve.

Let me here illustrate o'

em'

I said to a banker the other day: "Mr. Johnson, you are in the business of selling credits. If you had nothing to do with the cost of getting the money together and the operation of the machinery upon which you base these credits that you sell, and if you had nothing to do with the price of that service to the people—the interest rate—how long would you be in the banking business?" He said: "I would liquidate at once."

"But we can not liquidate; our means are tied up in lands. We are selling our products on a market where we have nothing to do with the prices or conditions, and we are buying on markets where we have nothing to do with the fixing of prices." We are profiteered upon from both sides.

During recent years there have been the most remarkable combinations in business, all specifically designed to get all that the traffic would bear, and during that period of combination we have been fearfully exploited. I am not criticizing men, but I am discussing conditions that are directly working toward the extinction of our agricultural interests in the Northwest.

The CHAIRMAN. And the farmer must work his farm, no matter what happens?

Mr. TEAGARDEN. Yes. As a rule a man who farms has no training for any other work, and he must farm or starve; he must farm or tramp the roads as they did in 1873. I remember when we used to have a shotgun behind the door filled with buckshot for those homeless fellows that were tramping around.

And so the story goes all down the line. There is a feeling in the Northwest among our farm men and women that I regret more than I know how to say as an American citizen. We are intensely patriotic. To me it seems almost like an imminent national tragedy that there is political wrath among the farm men and women over this great area; those whose loyalty to the Government may not be questioned, because it is in their blood and in their bone, this tradition of loyalty to the country; they have written the brightest pages there are in the history of the country, in patriotism and in devotion to duty. But we have been compelled as a last desperate resort to political revolt to get the attention of the Government and the country to these conditions which are strangling our industry; they are biting like acids into the morale of the men and women on the farm in the Northwest; and I submit to you, gentlemen, that efficient production, and especially increased production, without the right spirit of morale in the hearts and the minds of the men and women who do that producing is just as impossible as it would be for an army to win a great battle without morale. It is impossible.

The CHAIRMAN. You think that the Food Administration has neglected to give proper consideration to the psychological conditions among the farmers, do you?

Mr. TEAGARDEN. Entirely. We have appealed to them time and again. The last appeal was made to them in connection with the price of wheat. We showed to Mr. Hoover a memorial adopted by both branches of our State legislature this year, when it met in special session on another subject, that the price received by the Montana growers for No. 1 northern wheat—the best grade—was 10 cents a bushel less than the average price received for all kinds of wheat in the United States; and we proved it by a telegram from the director of the Office of Markets in the Department of Agriculture, specifically giving us that information. We appealed against that unfair discrimination, because we asserted in Montana that they grow as good a grade of milling wheat as there is anywhere on the American continent, if not better. There is no better grade of milling wheat than Montana hard or spring wheat. I think the Senator from North Dakota will agree with me as to that.

Senator GRONNA. Yes.

Mr. TEAGARDEN. And yet we are penalized, because it was to the interests of the profiteers down here in the milling division to profiteer upon us.

The CHAIRMAN. It is your idea that the production of wheat would be stimulated by an assurance of a reasonable profit, is it?

Mr. TEAGARDEN. Yes, sir; I do not think any other stimulus can be devised. It seems to me a proposition so elemental in economic law that price is the great stimulant to production, that I do not see how it can be gotten away from. That is true in the case of every other production; you stimulate ship-building by higher prices. They give to the maker of ships, for example, all costs—eliminating all risks of strikes, and increased labor cost, and increased cost of material, and increased interest cost. They give all that to him, plus a profit.

We do not ask a guaranty of the Government that when we plant an acre of wheat we will get a crop on it; but we do ask a guaranty of the Government

that when we plant it, and have fought off the rust and the hail, and all those hostile things, and do produce a crop of wheat, we shall have a fair market price for it—one that will permit us to pay the interest on our mortgage, our taxes, and support our families, and send our children to school in comfort. That is all we are asking—and we can not get it.

The CHAIRMAN. Yes.

Senator NORRIS. You would be satisfied, I presume, if the Government had permitted the wheat to take its chances with corn and oats, and had not interfered with the regular law of supply and demand?

Mr. TEAGARDEN. Yes, sir. We feel that we are on pretty safe ground on that proposition, and that safe ground was furnished us by the address of President Wilson, made to you gentlemen on the 5th day of December, when he said that the law of supply and demand had been replaced by—I do not remember the exact language.

Senator WADSWORTH. "Unrestrained selfishness."

Mr. TEAGARDEN. Unrestrained selfishness. Then he went on to say that profiteering was brazenly rampant. And we know it, and we have appealed and appealed against it. And so we came to the conclusion, distressing as it is, that the only way to enforce that appeal in the matter of fixation of wheat prices and other prices—we support President Wilson's proposition that there shall be a fixation of prices upon the great staples of the agricultural industry, and what the agricultural industry must buy in order to produce. We are perfectly willing for that.

The CHAIRMAN. That is, if you are going to have any at all?

Mr. TEAGARDEN. Yes, sir; if we are going to have any fixation of prices upon the things we produce. I assert that whatever limitation there has been in the prices of food since the war has come out of our pockets, and not out of the pockets of anybody else in the world. We are perfectly willing that they should fix the prices for the things we produce, and the things which we buy, so long as they give us living cost and maintenance.

I believe I correctly represent the feeling of the farmers of my State when I say that overwhelmingly to-day they would make a contract with the Federal Government to turn over the excess of production above farm needs—including maintenance and decent living for the farmer and his family, the payment of our taxes and interest—at cost for the duration of the war, if it lasted 20 years. But we object to being harried and yelled at and hooted at, to grow this thing and that thing and the other thing, when the profiteers of the country are taking all the profit, and more, too, out of our pockets and forcing us to produce at a loss, or go on strike, which we can not do.

The CHAIRMAN. They went at first on the theory that wheat production was more important than anything else, and that the supply of wheat was indispensable and higher prices came, and then they changed from that policy and put a lower price on wheat than on anything else.

Senator NORRIS. They put a minimum price on it.

The CHAIRMAN. I mean the Government, not the Congress.

Mr. TEAGARDEN. Mr. Hoover built up this man of straw, this single buyer, who was going to make a price of \$1 a bushel, as they claimed, if the Government did not fix the price. And then, forgetting that we know that this single Government buyer, instead of being a bear was a bull on the market, and that it was the buying by the allies that forced the price up——

The CHAIRMAN (Interposing). Did he say that the price would have been \$1 a bushel?

Mr. TEAGARDEN. Mr. Hoover said that Congress did us a service in establishing the price, because if they had not done so the price would have gone down to \$1 a bushel. He told that story through the Associated Press. I have the files of the Chicago Tribune at home showing that. I did not know this hearing was going on when I came East or I would not have been so general in my statements; I would have brought those papers with me.

The CHAIRMAN. Yes; I am sorry you were not able to prepare yourself more fully.

Senator GRONNA. You were telling the committee a few moments ago about the resolutions adopted by the legislature of your State. What reply did you get to those resolutions?

Mr. TEAGARDEN. They were referred to the grain administration, and some gentleman down there—not Mr. Barnes, who had always answered us heretofore, but some other fellow—simply wrote and said that we were suffering because of natural conditions, because of our remoteness from markets, that we had always suffered from and always would suffer from. But he forgot that

the mills at Minneapolis were just as remote from the seaboard as they had been, and the Food Administration fixed it up for those mills, but did not fix it up for us.

Senator GRONNA. In other words, you got not relief?

Mr. TEAGARDEN. That is correct.

One other point I think has been overlooked in the press; I remember when the commission which sat here and fixed the price of wheat, concluded its labors, the last thing they did was to adopt a resolution unanimously that, upon the basis of \$2.20 for wheat, if there was no more than a fair charge made all down the line, for flour and for baking, etc., the 14-ounce 5-cent loaf of bread ought to be returned to the American people.

Now, there is no baker doing it in this country, and I defy the housewife to do it at the prices they are paying for flour.

The CHAIRMAN. Do not the prices they are paying for bran and shorts compensate for the high prices they pay for bread?

Mr. TEAGARDEN. It compensates the millers.

The CHAIRMAN. Well, does it not compensate the farmer when you get them so cheap now? [Laughter.]

Mr. TEAGARDEN. We do? Just let me give you a pertinent illustration: Within the last two weeks the Food Administrator of North Dakota, Dr. Ladd—and I wish we had more like him—fixed the price of middlings and bran on the basis of \$2.05 for wheat; so that a ton of bran sacked at the mill would cost the farmer about \$31. The same day, or the day before, the newspapers came with this story our Equity Cooperative Association bought a carload of middlings from one of the big mills in Montana and they paid \$36.75 a ton, or \$5.75 a ton over the North Dakota prices, where the prices are fixed on the basis of \$2.05 a bushel for wheat; and the wheat that we sold our mills brought us only \$1.90.

The CHAIRMAN. We had a man from New York before the committee that said that the prices had gone up from \$38 to \$48 a ton, and that the wheat from which it was made cost the same as it did before.

Mr. TEAGARDEN. They raised the price out there three or four times.

Senator NORRIS. Do you know anything about the feeding of stock—for instance, lambs?

Mr. TEAGARDEN. Well, they have a good many in our State. The complaint that they have about that situation and the cattle situation is identical with the complaint that Mr. Lasater made in his statement.

In Montana, as Senator Hanna, of the Livestock Conservation Commission, said at this meeting that I spoke of a while ago, last fall, about 60 per cent more cattle were shipped out of the State of Montana than in any other year in the history of the State, and that excess was largely made up of she stuff and calves.

Senator NORRIS. Do you do much feeding there?

Mr. TEAGARDEN. No; we do not have many feeders there; they ship them to market, and they are turned over to the farmers in this section of the country, where they have the corn and the grain to feed to them.

The CHAIRMAN. All right, Mr. Teagarden, we are very much obliged to you for your statement.

Senator WADSWORTH. Mr. Chairman, I ask permission to insert in the record of the hearing the regulations of the United States Food Administration with regard to the exportation of condensed, evaporated, and powdered milk.

The CHAIRMAN. Yes; certainly.

Senator WADSWORTH. These regulations are dated December 10, 1917. The regulations are as follows:

“ UNITED STATES FOOD ADMINISTRATION.

“ *Washington, D. C.*

“ *To manufacturers of condensed, evaporated, and powdered milk:*

“ The following regulations are now in effect for the exportation of condensed, evaporated, and powdered milk. The separate certificate from the manufacturer covering each export shipment is no longer required, but compliance must be in accordance with the following:

“ EXPORT REGULATIONS.

“ CONDENSED, EVAPORATED, AND POWDERED MILK.

“ 1. The manufacturer of condensed, evaporated, or powdered milk, in applying for a license for the export of his commodity, shall be presumed, without

furnishing of formal certificate, to certify that he has in the manufacture of his commodity for which the license is desired, complied with all the provisions and conditions contained in the license granted to him as a manufacturer by the United States Food Administration, and especially the condition that he has not paid for the fresh milk from which the commodity is manufactured a price higher than the prevailing price for fresh milk in the vicinity in which the purchase was made.

"The manufacturer to whom export licenses have been issued shall report to the United States Food Administration each month a full and complete statement, under oath, showing the export licenses received, the articles exported thereunder, the place or places at which the said article was manufactured, the price paid for fresh milk from which the article was made, and the person to whom the articles were sold.

"If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that the manufacturer has violated any of the terms, conditions, and provisions of the license granted to the manufacturer by the United States Food Administration, such license will be revoked.

"2. Every person other than a manufacturer who applies for a license to export condensed, evaporated, or powdered milk shall be presumed, without furnishing a formal certificate, to certify that he has, in the purchase of the commodity sought to be exported, complied with the provisions and conditions of the license issued to him by the United States Food Administration, in whatever capacity the said license may have been issued, and especially with the condition that the purchases of the article to be exported have been made from the manufacturer direct for the purpose of export and not from other dealers by way of resales.

"Every person other than a manufacturer to whom export licenses have been issued for condensed, evaporated, or powdered milk shall report to the United States Food Administration each month a full and complete statement under oath, showing licenses received during the month, from what manufacturers the articles exported were purchased, the quantities purchased, the price paid by the manufacturer, and to whom the articles were sold.

"If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that any of the terms, provisions, or conditions of the license issued to the person exporting by the United States Food Administration have been violated by the exporter, the license so issued will be revoked by the United States Food Administration.

I wanted all the regulations put in the record, but I want to call the particular attention of the committee to the fact that in the last paragraph we find the following:

"If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that any of the terms, provisions or conditions of the license issued to the person exporting by the United States Food Administration have been violated by the exporter, the license so issued will be revoked by the United States Food Administration."

Mr. Chairman, without giving the name of the condensed-milk manufacturers concerned, I have a long letter here from one of them, which I am not at liberty to read, but which is most eloquent. I will read a letter addressed to that company following an attempt by that company to raise the price of milk which it proposes to pay to farmers in its vicinity.

The CHAIRMAN. Yes.

Senator WADSWORTH. I will say, however, that the letter explains that this condensed-milk manufacturer believed that the price should be raised to follow the law of supply and demand, and that he was operating, or attempting to operate, in compliance with that law. This letter [indicating] is addressed to that company, and reads as follows:

"GENTLEMEN: Information was laid before us this morning that you had published in the Milton Evening Standard of December 12 a notice to the effect that beginning December 15, and until further notice, you will pay 25 cents per 100 pounds above league prices for all milk delivered to your plant at Lewisbury, Pa., or at your receiving stations.

"Your attention is respectfully called to the fact that prices paid by condensaries that are above the official prices will no doubt result in very stringent rules governing the operations of a condensed-milk manufacturers, under the license furnished by the United States Food Administration, and it is very unfortunate that at this time the issue should be complicated.

"It is the understanding of this department that the league price includes delivery by the farmers to a shipping point, receiving station, or condensary, and that any price paid in excess is above the official price. If this is not in accordance with your ideas of the official price, will you kindly furnish us immediately with such facts?"

Senator NORRIS. Is that letter from the Food Administration?

Senator WADSWORTH. This letter is from the Food Administration, signed by S. J. Scudder.

Senator NORRIS. What do they mean by "league price"?

Senator WADSWORTH. League prices are the prices fixed by the Food Administration in a given territory, after consultation with the distributors' organizations, the consumers, and organizations of producers of milk, who were brought together on a certain date, in an endeavor to fix the prices to cover a subsequent period.

The CHAIRMAN. What is the league referred to?

Senator WADSWORTH. The term "league," as I understand it, is derived from the fact that certain dairymen in different sections of the country have organized dairymen's leagues.

The CHAIRMAN. And the league price is then denominated the official price?

Senator WADSWORTH. Yes; and if any condensary, or evaporated-milk factory, in accordance with changing conditions thereafter attempts to pay more money for the milk which they need their license is threatened.

Senator NORRIS. I suppose the object of that is to prevent the price of milk going up to the local consumers.

Senator WADSWORTH. Of course the result is, as I recited on the floor of the Senate the other day, that there are only 30 per cent of the number of heifer calves in the State of New York that there were one year ago.

Mr. LASATER. Mr. Chairman, I have been misinformed on one matter. I would like to call the attention of the committee to the letter that I read from Mr. Milo D. Campbell, president of the National Milk Producers' Federation. In that letter Mr. Campbell knew nothing about what the Senator called "league prices." The last letter was dated March 4, as I recall; we can refer to it and get the exact date. He called the attention of the Food Administration to just what would happen; to just what the Senator has stated has actually happened; that such prices as he complained of could be agreed on by collusion of the different condenseries of the country, and that the milk-producing interests might not be represented; and he asked that the Food Administration appoint committees, as was done in New York, Chicago, and Boston territory, to state what prices would be fair prices.

This is the federation of a great many milk-producing associations, and on March 4 Mr. Campbell was encountered with the facts you have just stated. But he apparently saw this thing could happen, and stated in this communication read into the record that he is what he appeared to be, and asked the Food Administration to take the necessary steps to protect them.

Senator WADSWORTH. I think it only fair to say that this letter, which comes to me from a condenser, who protests against the rule prohibiting him paying the farmer a little more, and the reason is perfectly plain. The intelligent condenser or evaporator milk factory owner realizes that if the farmer is not getting enough for the milk which he purchases from the dairy industry in that section in which the condenser has all his fortune invested is going to decline and his own factory will cease to exist.

The CHAIRMAN. The condenser does not want to "dry up the cows."

Senator WADSWORTH. Certainly not. There has been a good deal of loose talk about how condensers and evaporator milk factory owners welcome the driving down in the price of raw milk. As a matter of fact, the great majority of them do not want to drive it down, because they know if they do so they will eventually ruin their own business.

Mr. TEAGARDEN. We have a situation in Montana that I will describe in a moment. We have one big condenser that overshadows in its capital all the others in the State, and all of the creameries, and until the law intervened and prevented the big concern from overbidding our local creameries on the price of cream and underselling on the price of butter, they have put local creameries out of business. They were willing to pay the high price in order to drive the local producer out of business. Mr. Hennyson is objecting to this very thing, and when he asks to be allowed to pay more to put the little

creamery out of business, then he will get back, or, at least, he thinks he will, what he lost.

Senator WADSWORTH. It is a very grave question.

Mr. TEAGARDEN. But the farmers get milked.

The CHAIRMAN. Mr. Teagarden spoke a minute ago about the psychology amongst the farmers, and I think we have ignored the feeling that is in the heart of the average farmer and the "dumb, inarticulate crowd" Carlyle talks so much about.

I have a letter I would like to read to you gentlemen. It comes from a real farmer, and arrived in my mail this morning. I will get the clerk to read it.

(The clerk to the committee, Mr. Thompson, thereupon read as follows:)

"ELGIN, OKLA., March 15, 1918.

"Senator T. P. GORE, Washington, D. C.

"DEAR SIR: Being a farmer and wheat raiser, I desire to thank you for the stand you have taken in regard to the price of wheat.

"By the present prospects of wheat in our neighborhood it does not look as if it mattered much about the price, for there are hundreds of acres that it will not pay to let stand. But that is not the question. But why the difference between big organized business and small unorganized business?

"Our Government took over the coal mines; that is to say, they set what they thought, after careful consideration, a fair price on coal.

"But the coal companies notified the authorities that they could not furnish coal at those prices. So there was an increase granted on the fixed price of coal. In the same way our Government took over the wheat fields and set the price of wheat, unlike the price of coal at the mines, but at the central market; and after two or three middlemen have taken profits out the farmer gets from 25 to 30 cents less than the fixed price.

"And this is not all. Wheat is not grown right around the elevators, but has to be hauled from 5 to 15 miles, and that takes off another 5 to 15 cents. So, instead of the farmer getting the fixed price of wheat at the farm, as in the case of coal at the mines, he has to take from 30 to 40 cents less than the fixed price. Besides, he has to take a 2 to 3 cent dock at the elevator.

There have been petitions with thousands of names sent in protesting against the unfair price on wheat, but again, unlike coal combines, we have been told the price had been fixed on wheat, and we would have to stand by it. Why the difference?

Again, our Government has taken our rundown railroads, and some of them in the hands of receivers if I am not misinformed, and have not only agreed to keep them up, but I see Congress has been asked to appropriate millions of dollars to improve them and keep them in good shape and bear all expenses and losses, and at the end of a certain time they are to turn them back in good shape to the companies with a good per cent of interest on their investment with more or less water in it. Again I ask, Why the difference?

The farmer is asked and instructed to buy more machinery at three prices, to buy tractors at unreasonable prices, to raise more with less help, to stand all losses by drought and by floods, by grain bugs, chinch bugs, and grasshoppers. I ask why is it that the farmer is made the scapegoat of the Nation?

Some have said it was necessary for the Government to take over the railroads to transport troops, guns, and ammunition and other supplies that are necessary to win the war. Well and good.

But the food controller of England says we have no lack of money, we have no lack of men, we have no lack of guns, we have no lack of ammunition.

But if we lose in this war it will be the lack of food.

Food production will have to be stimulated in some other way besides talk. When they wanted to increase the production of coal they paid the miners better wages. When they would speed up shipbuilding they paid better wages. When they would rush the cantonments to completion they paid outrageous wages. When they would stimulate the production of those things which the best authorities say will win the war, they feed us on hot air.

Now, to the thought I have in view, Senator, lest I weary you.

What would be the objection to the Government paying the farmers by the acre for raising wheat, and let Uncle Sam run the chances and risks the same as he does in running the railroads? I lost over \$400 last year by fixing the price of wheat. I have in 80 acres of wheat this year, and it looks as though I will lose it all. I will not attempt to say how this should be done, but I believe it could be done satisfactorily. I believe you will find the Oklahoma farmers as self-denying and as patriotic as any other class of people, and as

we are unorganized and have no lobby at Washington, or means of protection save our Representatives in Washington, we beg of you to cooperate with us and further use your influence in our behalf.

I beg to remain, one of your countrymen,

F. LOVE.

The CHAIRMAN. I wanted to have that letter read, because whenever those 13,000,000 farmers and farm hands and thirty-odd million members of farmers' families get to thinking that way, it means a good deal.

Mr. TEAGARDEN. May I have just another moment?

The CHAIRMAN. Yes, sir.

Mr. TEAGARDEN. The other day I was talking with a tenant farmer who lives a little beyond my place, a husky young chap about 38 years of age, with a wife and a little boy and girl; he does not drink and has no bad habits and works hard. He said: "Teagarden, my wife has been asking me if there was not some other business I could get into where I would not have to work so very hard and get so little out of it and be able to educate our children." "But," he said, "I have only the education I got in the country district school; I am not educated for business and have had no experience in it, no aptitude for it, and no capital to invest in it. I am not a trained mechanic. I know a little about farm mechanics, but I could not make a living as a mechanic. I certainly can not do it by farm labor." And then he said: "I must farm or starve, and, by God, I am doing both."

The CHAIRMAN. I had a letter this morning from a farmer who said he had some pigs which were selling at 17 cents. The Food Administration said, "Fatten and keep them and make them heavy," and he kept them until they were fatted and sold them for 15 cents.

I desire to print in the record an address by Jacob Gould Schurman, president of Cornell University, entitled "The food crisis and the farmer."

(The matter referred to is herewith printed in full:)

THE FOOD CRISIS AND THE FARMER.

[An address delivered at farmers' week, Cornell University, Thursday afternoon, February 14, by Jacob Gould Schurman, president of the university.]

Of all the great problems of this colossal world war the food problem is now the most important. Man power can be raised by conscription up to the point of exhaustion. The allied lines from the North Sea to Switzerland are piled high with munitions, which the output of French, British, and American factories is constantly augmenting. But everywhere the supply of food is limited, and beyond a very narrow margin you see the edge of an inferno of starving nations.

SOLELY A QUESTION OF SUPPLY.

Yet no problem of the war is so much misunderstood. The simple question is this: Can we keep our own and our allied soldiers and civil population from starvation? If they are not to starve, they must have wheat and other cereals, beef and pork, and other meats and fats to eat. It is not at all a question of price. It is solely a question of supply. Will the farmers of America raise enough wheat and oats and rye and corn and hogs and cattle and sheep to feed the American Army and people and to help to feed the armies and peoples of our European allies?

THE LIMITS OF CONSERVATION.

The less we waste the more we economize, the further we shall make our supply of foodstuffs go. Mr. Hoover has taught us all the gospel of the clean plate and the duty of eating those varieties of foods which we can not send to Europe for the use of our soldiers and our allies. And he has been so successful in his campaign of publicity that many good people have come to imagine that conservation is our principal food problem. As a matter of fact, conservation or saving is to the national cupboard what saving or economy is to the National Treasury. It makes the supply go further. But it does not bring in the supply. We may even compel people to economize to the use of foods by legal enactments, with severe penalties; Congress may require us to

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observe wheatless and meatless days and to eat mixed and diluted foods—and I myself believe we have reached the point where compulsion should supersede, or at any rate supplement voluntary appeal—but no legislation, however drastic or draconic, will add to our supply of foodstuffs a single litter of pigs or a solitary grain of wheat. It is good to save what you possess, but saving does not create the supplies in the use of which you practice economy.

THE DEMAND FOR LOW FOOD PRICES.

But legislation can surely put a stop to profiteering in the sale of foodstuffs. If milk goes up a cent a quart and children die in New York City in consequence, ought there not to be a law to stop it? Well, I think it a disgrace to our civilization that children should die for lack of food. And I hope the time is not far distant when a more humane feeling and conscience will lead the public to recognize the obligation of caring for those innocent and helpless sufferers. But why should the food producer be singled out for the rôle of a public benevolent institution? Why not also the producers of unessential commodities or amenities and luxuries? Why deny the farmer alone the market price of his labor and skill? Why select him first to support the poor of our great cities? He certainly can not afford it. One-third of our farmers are tenants and own little or nothing in the world. And of those who own the farm they operate 36 per cent have them free of mortgage.

FOOD PRICES AND GENERAL PRICES.

Why attempt to regulate the prices of farm products? Like other commodities, they will not be produced at all unless the producer gets a price sufficient to cover the cost of production and a fair profit. The people who demand the regulation of food prices really want low prices. But low prices for anything whatever in war times are utterly impossible. And foodstuffs have not gone up more than other commodities. Even in a country like Great Britain, where manufacturing was self-sufficient and agriculture dependent, the level of food prices has not advanced much beyond the general price level of all commodities. In May, 1917, the index number for all commodities showed an increase of 114 per cent over the wholesale prices of July, 1914, and the corresponding increase for food products was 123 per cent.

I hold in my hands tables just issued by the United States Bureau of Labor Statistics giving the wholesale prices of important commodities in the United States since 1913, the year preceding the outbreak of the war in Europe. The index number is based on 292 separate articles or price series, and the prices of 1913 are treated as par, or 100. Up to July, 1915, there was little change, and as late as July, 1916, the general price level of all commodities was still below 120. Since that time, however, there has been a rapid rise, and in the month of December, 1917, the general price level stood at 181. But the highest-priced groups were drugs and chemicals, at 230, and clothes and clothing, at 206. Farm products came third, at 204, while foodstuffs stood at 185, which is only four points above the general level.

PRICE REGULATION DIMINISHES THE SUPPLY.

Why, with those facts before us in regard to prices, should anyone want to lay hands on food for the purpose of price regulation? The problem is solving itself in accordance with economic laws, with results quite analogous to those we find in the price advances of other commodities. Do you want to penalize food producers by compelling them to sell their products at prices relatively lower than other producers? Is that the way to get food to win the war? That way madness lies—utter folly and rank injustice.

I repeat and reiterate that our food problem is one of enlarged production and augmented supply. Price fixing leads to the opposite results. Farmers will not plow and plant and weed and harvest if they know that the laws fix the prices of their commodities lower than the general level of prices—lower than the cost of production with fair profit to the producer. We have tried that experiment with coal producers, and the result is heatless Mondays; we have tried that experiment with the railway companies, and the result is a paralysis of transportation; we have tried that experiment with wheat, and we have sent the price of corn above wheat, compelling the farmer to feed wheat to his poultry and animals and discouraging him in the planting of

winter wheat, so that there is to-day a shortage of over 5,000,000 acres in the area planted, as compared with that recommended by the United States Department of Agriculture.

THE DANGER OF STARVATION.

Meanwhile we are using up our grain reserves. The crop of 1915 was the largest ever produced in this country. On March 1, 1916, the reserve supplies on farms and in sight amounted to 106,000,000,000 pounds; on March 1, 1917, they had fallen to 70,000,000,000, a reduction of 36,000,000,000 pounds, or 1 pound a day for each person in the United States. The holdover on March 1, 1916, was the third largest there has ever been; that of March 1, 1917, was the lowest holdover in 15 years.

GIVE THE FARMER A CHANCE TO SAVE US.

We are exhausting our reserves. In spite of all appeals the farmers have not planted more winter wheat than they planted in 1914. I believe it no exaggeration to say that we are confronted with the danger of starvation in the next 12 months. The energies of our farmers are paralyzed by price fixing and the fear of price fixing. Does the Government want to stimulate agricultural production? Then strike the shackles off the farmer and leave him as free as other producers. In the name of common sense, of justice, and of patriotism I make this appeal to the President and Congress. Food will win the war. Give the farmers a fair chance to win it.

The CHAIRMAN. The committee will now stand adjourned subject to call.

(Thereupon, at 5.10 o'clock p. m., the committee adjourned to meet at the call of the chairman.)

The CHAIRMAN. The committee will now take a recess until a quarter after 2 this afternoon.

(Thereupon, at 1.15 p. m. o'clock, the committee took a recess until 2.15 o'clock this afternoon.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. Mr. Atkeson, give the stenographer your name and what position you hold, and then you may proceed in your own way.

STATEMENT OF THOMAS C. ATKESON, REPRESENTING THE NATIONAL GRANGE, PATRONS OF HUSBANDRY, 303 SEVENTH STREET, WASHINGTON, D. C.

Mr. ATKESON. Mr. Chairman and gentlemen of the committee, my name is Thomas C. Atkeson, and I represent the farmers' organization known as the Patrons of Husbandry, ordinarily known as the grange.

The CHAIRMAN. You are master of the West Virginia State Grange?

Mr. ATKESON. Yes, sir.

The CHAIRMAN. And secretary of the National Grange legislative committee, I believe?

Mr. ATKESON. At this time I officially represent the National Grange in their headquarters established in this city the first of this month, and instead of speaking for people who are cattle producers only I speak for at least a million American farmers who are interested in the entire range of farm production—incidentally, of course, in the cattle business.

I have not attempted to prepare in written form what I wish to say, and really I did not wish to make an appearance before this committee—that is, I had no special personal desire to appear before the committee, but the National Grange at its last session in Syracuse, N. Y., where there were present about 3,000 farmers from nearly every State in the Union—all the States except some of the cotton-producing States—reaching from Maine to California, and in that meeting they took up the report of the Federal Trade Commission, which is the basis, as I understand it, of the present hearings and the bill now under consideration.

I will say, what I have written is only a memorandum rather than a written statement, but I might say, by way of introduction, that the National Grange at its last session decided to establish its own headquarters in this city, and that I have been duly appointed its representative and that no one else has authority to speak for it except the members of the legislative committee, which is now composed of Oliver Wilson, master of the National Grange; L. J. Taber, master of the Ohio State Grange; and myself. I have an assistant in the office.

Mr. HAMILTON. Is Mr. Hampton your assistant? I am not informed at all, but I thought he represented the grange here.

Mr. ATKESON. I know him very well. No, sir; he is not my assistant. My assistant is Mr. A. M. Loomis, who has just come to the city this week from Albany, N. Y.

Mr. HAMILTON. Isn't he connected with the grange?

Mr. ATKESON. Well, in a way.

Mr. HAMILTON. How? I had the impression he was.

Mr. ATKESON. I don't care to go into that question.

Mr. HAMILTON. I didn't know there was any question. I just tried to get at it.

Mr. ATKESON. No one else except those from the National Grange headquarters has authority to represent the National Grange in this city or before legislative committees or in a legislative capacity in any manner whatever. Now, there are members of the grange as individuals who have a right, no doubt, to say what they please, and to represent whatever they do represent, but officially no one has authority to represent the National Grange except its duly accredited representative, and it happens that I am that representative at this time. I trust that is clear.

Now, the grange is an organization of real working, producing farmers, which has been in successful operation more than 52 years and now has a membership of more than 1,000,000, who represent at least 600,000 American farmers, or approximately one-tenth of the farms in the United States. This 1,000,000 that represent this practically 600,000 farms, constituting the entire membership, is made up somewhat of female members and of members less than 21 years of age, but the voting membership of this organization, the heads of families who represent farms, represent at least 600,000 separate farms, or about one-tenth of the 6,000,000 farms, more or less.

Now, a good deal has been said before this committee and the agricultural committees of the House and Senate touching on the profits of agriculture and the profits that the farmers are making; and there is a good deal of misinformation connected with that

proposition. There are so many people in this world that know so many things that are not true, and there is probably no department of human endeavor where that applies more generally than to this question of profit of American agriculture, and nearly always when the farmers have asked for justice—and never for class legislation—they have been handed a lot of advice and education and information of one kind and another from people who know very little from practical experience about what they are undertaking to furnish—this instruction to the farmers themselves.

I have here a little summary, and I can furnish it because it is in printed form, drawn from the last statistics—the last census reports that are available—the last figures that are available as to the profits of agriculture. According to the United States census of 1910, the last official census that we have, 6,361,502 farmers in the United States produced products for which they secured \$5,487,000,000, making the average annual gross income of the farmer \$863 a year. If these figures are wrong, the Census Department is responsible for it. It seems to me that something is wrong when the average income per farmer in this great country of ours is no more than that. The same census gives the value of the farm property in this country at \$40,901,449,000. The same year, according to the same census, 7,678,578 people were engaged in manufacturing and produced goods that sold for \$20,672,002,000, on the average \$2,642 each, compared with \$863 to the average farm worker, a difference of more than \$2,000 per individual per year. Remember that in many instances the farmer had to have hired help. Out of his average of \$863 per year he paid all his farm wages for the production of the crops that yielded him an average of \$862. This is not taken into consideration in estimating the number of farm hands, which would have reduced the average annual income per worker engaged in agriculture much below \$863, while each worker engaged in manufacturing goods received on an average \$2,642. At the same time the capital invested in manufacturing at the time amounted to only \$18,428,270,000, or not quite half as much as the money invested in agriculture. Now, the goods produced by the farm is of more value to the people of the United States than the goods produced by the manufacturer if it is proper to make the comparison, and yet the goods sold by the manufacturer brought nearly four times as much as the goods produced by the farmer on less than half the capital invested. Now, the question is, Why should these manufactured articles sell for more than the farm products?

Mr. HAMILTON. What is the date of that article you are reading from?

Mr. ATKESON. This is from the Michigan Farmer. It refers to the census. It is predicated on the census of 1910.

Mr. HAMILTON. What is the date of the article?

Mr. ATKESON. I don't remember the date, but it is since the beginning of the year—two or three weeks ago. It is an editorial from the Michigan Farmer. The figures are correct and based on the census report of 1910.

Now, my reason for introducing these figures is to show that American agriculture as a business proposition is not a get-rich-quick proposition. Of course the war problems and conditions that have

developed recently would change the figures somewhat—perhaps we have been profiteering, if you can show that.

Evidently these facts give some indication of why consumption is so rapidly overtaking production in this country and why the problem of our food supply is becoming so serious.

Mr. James J. Hill, of the Northern Pacific Railroad, some 15 years or so ago made the statement that under the present—or at that time—cost of production that consumption in this country would overtake production in 15 years; and consumption was as certain to overtake production if there had been no war as that it did overtake production when the war came on. The war made it a little more immediate and certainly more acute than it otherwise would have been, but the result, the inevitable result, was absolutely sure, and Mr. Hill was a prophet—maybe not in just 15 years, but in a very short time consumption in this country was sure to overtake production.

Mr. HAMILTON. Well, there was a man named Malthus who made a prediction like that a good many years before Mr. Hill was born.

Mr. ATKESON. That is right. He didn't limit to to 15 years, however. Mr. Hill undertook to fix the date. There is no question but what food production has become a serious problem, not only to America but to the whole world, and somehow we must meet it. We are not going to starve. The possible production of the country has not anywhere nearly been reached, and it will only be reached when economic conditions justify the additional expense of increasing this production. I have no fear of our country's starving or of the world starving if it is willing to pay the cost of production, plus a profit.

That something is radically wrong with our economic system is manifest, and it is up to our statesmen and economists to find out what it is and to apply the proper remedy. Many things are doubtless involved which I shall not now attempt to enumerate, but the packing-house monopoly, which this committee is now considering, is undoubtedly one of them.

While the real producing farmers do not often appear before congressional committees to present their side of the question, I want to assure you that they are thinking about it as they go about their work and are talking about it when they come together in their granges and other organizations. At the last session of the National Grange at Syracuse, N. Y., last November the report of the Federal Trade Commission was seriously considered at considerable length, and the following resolution was adopted with but three dissenting votes—and I wish this committee could have heard the discussion of those representatives of the farmers scattered all over the country. They were not representatives of one of the three great classes of our entire citizenship, but of the every day working, producing farmer. Those three great classes that I refer to sum up the entire citizenship of the country, so far as the food supply and food interests are concerned. It is the producers, the consumers, and the distributors. All of us belong to one or the other of these classes, and many of us to more than one of them. But those farmers assembled at Syracuse represented almost exclusively, within their individual interests, the producing class, so far as food supply is concerned; that is, they produced most of their own food supply and may be classed as sepa-

rate from distributors and the great consuming class as we find it in the centers of population. And they discussed these problems from a multitude of angles, and if I may I would like to call attention to one phase of this whole subject that is not often referred to. I have heard it as the representative of organized farmers from various organizations, and the question has often been asked why the farmers do not do what the labor or wage-earning people have done through their organization. The wage earners have a very limited interest. Whether a man is a wage earner in Alaska or in the tropics or anywhere between he has a common interest, and he is interested primarily in the same thing, or in the same things, and that is the largest possible wages for the least possible amount of work. Now, the condition of the farmers, so far as organization is concerned, is not comparable at all, as I view the situation, to the wage-earner problem, and all of us know something about the power that the wage earners have been able to exert in our country and seem likely to continue to be able to exert, but it is impossible for the farmers to ever become profiteers in the sense that they can fix the price of their own products, because of the diversity of interests and the conflict of interests between the farmers themselves.

To illustrate, I am growing corn and wheat and oats and potatoes and general farm products on my farm in West Virginia in association with one son who is a graduate of our State agricultural college, and we are also growing cattle and hogs and sheep on that same farm. I have another son with whom I am associated, in a way, down in southern Alabama, who is growing cotton and peanuts and some other local crops, but he buys most of the food supply for his family and sells cotton. He is interested in keeping up the price of cotton and interested in the lowest possible price for his food supply. This other son in West Virginia is interested, if he makes a profit in his business, in the largest possible price for his product, and he doesn't care what becomes of the price of cotton down in southern Alabama. In a way he buys cotton and its products and sells food products. Now, their interests, so far as they have selfish personal interests or business interests, are directly opposed to each other, and that same thing applies more or less as we go east or go west, because of climatic condition and adaptation of the soil and surrounding environments, to the kind of products that may be produced most economically in the locality where the individual happens to be. Now, that makes it practically impossible for the unification of the farm interests of the country to the same extent that you may unify the wage-earning interest of the country.

Now, these people who were assembled at Syracuse represent all these interests. They are the producers of practically every branch of food products, of farm products, and when they undertook to discuss the report of the Federal Trade Commission, and its recommendation, they knew what they were talking about—that is, each individual knew how these things affected his special interests, and they found some difficulty in harmonizing their conclusions, but the outcome of that discussion, which lasted half a day, was the adoption of this resolution which I will read, with a couple of whereases:

Whereas the Federal Trade Commission has made an extensive investigation into the packing industry and has shown among other things that the power

of these companies has been and is being unfairly and illegally used to manipulate live-stock markets, to restrict interstate and international supplies of food, control the prices of dressed meats and other food, defraud both the producers of food and consumers, crush effective competition, secure special privileges from railroads, stockyard companies, municipalities, and profiteers—

I don't know just why they put in that word "profiteers."

Whereas the packers' profits in 1917 were more than four times as great as in the average years before the European war, although their sales in dollars and cents, even at the inflated prices of last year, were barely doubled, and in the war years 1915, 1916, and 1917, four of the five packers made net profits of \$178,000,000—

These figures are the same figures given by the Federal Trade Commission.

Therefore, be it resolved, That we send our thanks and appreciation to the Federal Trade Commission for the facts produced, to the end that this valuable information may assist in the solution of the important problem of food distribution.

And distribution is the important problem in this country to-day, and it is the city man's problem even more than it is the farmer's problem, and in that particular at least the great consuming public and the great producing public have a unity of interest. Now, it happens that all the distributing individuals live in the cities, and so when the city man—I refer to the city man as representing the people in the congested consuming centers—has to deal in a large measure with himself, or with people who are his neighbors and his associates, and in some measure with a community of interests.

During a considerable time in my experience I lived in a little city of about 15,000 people, and the question may arise in someone's mind why if all my life I have been a farmer that I lived in a city of 15,000 people? For nine months in the year, for 23 years, I lived in that little university town where I happened to be the dean of the State College of Agriculture. During that time we were concerned with the consumers' interest in food products, and on one occasion I sat on my porch and counted on a little street about two squares long that passed in front of my house 15 delivery wagons of one kind and another from the grocery stores of that town. There were about fifteen times as many retail grocery men in that little city as there ought to have been to economically supply the community, but if you could have reduced the number of retail grocery men in that little city to one-fifteenth the number that were there, it would have vacated fourteen-fifteenths of the storehouses and would have put out of business fourteen-fifteenths of the people engaged in that business in that town, and the people who owned those grocery-store buildings were interested in the rental and in the demand, and so this expensive distribution went on and they all had to live off of the community in some way or other and that entered into the problem of distribution, and I, like everybody else, was paying for this overhead, excessive cost in distributing the groceries to the consumers in that little city. Now, that reaches from the retailer up to the meat packer, and from the meat packers down, and the problem of distribution is the one problem that concerns the American public to-day more than any other and if we could carry from the producer to the consumer at one-half, or less, the present cost of distribution, we would largely have solved this whole

problem—at least so far as it is humanly solvable; and that, as I said before, is the city man's problem as much as it is our problem, or the farmer's problem.

Now, so far as the meat products are concerned, and so far as these packing problems are concerned, we are all interested, every American citizen, in trying to solve those problems along some line of sound economics. I have no particular quarrel with the packers; I have certainly no quarrel with the local distributors, but there is something wrong in our economic system that makes the cost of distribution more than double, in most instances several times more than double, the cost to the consumer what the producer gets for the product. And that is the great problem for American statesmen to settle so far as this whole food problem is concerned.

If the report of the Federal Trade Commission is partial, as is claimed by our packer friends, the farmers feel that it is not often that partiality is shown them in these numerous investigations, and that their side of the question under investigation is usually not presented, while the opposing side is always presented by the best brains and the ablest counsel that money can command. This committee is aware that when Mr. Armour and Mr. Swift and the other packers were here that they had sitting here in easy reach, to see that they didn't say the wrong thing, trained attorneys. A Washington newspaper said that one of the gentlemen was the highest paid attorney in the world. I don't know what his salary is, but I haven't any such attorneys here. These farmers, scattered over this country, these million people that I represent, have no paid attorneys and I have no attorney assistant to take care of me while I am here, and I am here at the expense of these widely distributed farmers.

Mr. WINSLOW. Will you repeat that, please? What was that statement?

Mr. ATKESON. I am here at the expense of these widely distributed farmers that I represent, and I want to say for this organization that the entire expense of the National Grange does not cost any farmer in America but the price of one mighty poor cigar a year; or, to be exact, it costs the individual members of the organization just one nickel a year. That is evidence in itself that this organization is widespread; that we have a large actual bona fide farmer constituency scattered all over the American farms; and they are men of intelligence, men who are thinking about these problems. Now, this nickel a year collected from these farmers provides for the entire expense of this national organization, and provides for my expenses here, and there isn't an unclean dollar nor an unclean cent behind me or associated with this organization; and so far as I know I am the only bona fide everyday farmer that has appeared before this committee during these hearings, or very many of the other hearings. My constituents are this widespread farmer citizenship of the country, and if there is anybody that is getting the advantage on these hearings on the packing problem it is not the everyday farmer. He has not taken much of the time of this committee or the other committees that are considering these immediate and other problems concerning agriculture. The farmer himself, the everyday farmer, the one that the Lord must have thought a good deal of or he wouldn't have made so many of them, has not often been heard before congressional committees. We have seen

striking illustrations of this fact in the hearings before this committee. Carefully prepared statements of the packers have been read, which presented their side of the matter in the strongest possible way.

Those long statements that were read were perhaps prepared by skilled attorneys; they were not only typewritten—what notes I have I could not even afford to pay to have typewritten—but they were printed and presented in elegant form, and I heard Mr. Armour read his statement here and then I heard him read it before the Senate committee, and it got to be a little monotonous. It sounded like the brief of a shrewd, well-trained attorney, who was sure that he would not say the wrong thing, and apparently very anxious to conceal the things that he didn't want said. That may be unfair, but when attorneys appear they appear to represent the interests of their client. That is their business. I don't blame them for that, but what they say is entitled to be taken with a degree of allowance that may be fairly attached to the matter, because these arguments were prepared in advance and prepared by highly trained men who are equipped to present the argument of their client, and they did it well. I was almost persuaded myself, when I heard the statements made by those packers, that they were a much sinned against class of public servants who were working for a dollar a year and serving the Lord between times. But they are human, just like the rest of us, and they are not in the packing business for the benefit of the public. They are in it for all there is in it as a business proposition. The interests of the packers, the dealers, the railroads, and the distributors, in which the producers have a vital interest, have all been ably presented, but so far as I know I am the only real producing farmer who has appeared before this committee, and I am here to speak for many like minded people who are busy upon their farms working 12 to 14 hours a day trying to feed the world. And they have their hands full of that problem of trying to feed the world.

A good deal has been said about the price-fixing practice of the Government as a war measure, and it has come up from various angles in connection with the packing business. It is possible to fix a price temporarily by artificial means and as a war measure it was probably entirely defensible, but as an economic proposition it can not be made to last very long. Ultimately the supply and demand must control. There may be some economists who will dispute that proposition. You can fix absolutely the price for this year on the products that are already produced, but you can't fix the price for that same commodity for the next year and have any assurance of getting the commodity if the price is below the cost of production. Sooner or later there must be a collapse and somebody must go hungry, and that is why consumption is overtaking production, and that will always be true. To illustrate that proposition, when I went to that little university town that I referred to awhile ago we were buying milk at 5 cents a quart for my family, and they organized a dairymen's association of some kind, and from time to time they increased the price until we were paying 10 cents a quart—this was before the war began—and we were standing for that, and this same association—I was personally acquainted with the individual members of the experimental station with which I had some direct con-

nection, which was also furnishing milk in the local organization, and the price was fixed by this local organization—they put the price up to 10 cents and the supply seemed to be consumed up to that price. About of the 1st of one December they decided to raise the price to 12 cents a quart, and my wife bought a month's supply of milk tickets at 12 cents a quart, and before the week was up the young man who delivered the milk said that they had decided to reduce the price to 10 cents a quart. She wanted to know why, and his answer was that they had to take a good deal of their milk home. The public would stand for just about so much, and then they wouldn't stand for any more, and the supply was greater than the demand and so the price was lowered to 10 cents, and we never did pay more than 10 cents afterwards until since war times began.

Now, 10 cents was probably, under the conditions, a fair price—at least there was a getting together of the supply and the demand on the basis of 10 cents a quart. When the price went above that the supply was greater than the demand. People that had been ordering a quart ordered a pint and those that had been ordering a pint drank water, or did some other way. Nobody understands that, perhaps, any better than the great Standard Oil Co.—and we produce oil most everywhere in West Virginia, and it is currently understood there that when the oil tanks fill up the price of oil goes down and when oil goes down the price goes up. Unfortunately for the consumer the oil people control both the supply and the price and the question has often been asked, since this great oil company controls all the oil, even that produced by the individual producers—it passes through their pipe lines and their refineries—why they don't charge a dollar a gallon for oil instead of 12 or 15 cents? It is simply because the consuming public wouldn't consume the oil, and it is their business to sell oil, and so the price is fixed largely and regulated largely even in the hands of that great monopoly on the basis of supply and demand. Of course they hold down the supply when the demand is not sufficient to take it, but the principle of supply and demand inevitably is sound and must in the long run prevail in a large measure. Now, if that is true, then any effort at price fixing can not stop with fixing the price on a single commodity or upon the commodity itself. In order to make it permanent or to make it prevail there must be a fixing of the price of every item of cost that enters into the production of that commodity. If you fix the price of wheat at \$2 a bushel, as you may by legislation, for an unlimited time, you have no assurance that you will have any wheat without you fix the items of cost that enter into its production, and any other conclusion is indefensible and unscientific.

I may be excused, perhaps, for making just one statement in connection with the cost of wheat which our price fixers seem to have lost sight of, and that same thing enters into the question of fixing the price on meat products or any other food production. If we fix the price at any definite point we must somehow or other determine all the items of cost of production if we secure its continued production. That is as sure as twice two are four. Now, it is practically impossible to fix the cost of production of a bushel of wheat. It is practically and physically impossible to fix the cost of production of a thousand-pound steer, except on the basis of averages, because the cost of production is so variable and so indeterminate

because of climatic and soil and geographic and other conditions that enter into the problem. Now, I have this experience with the wheat business, and these principles apply to the cattle business and to every other food-supply production. In my wheat crop sown in 1916 we were paying the men who did the work a dollar and a quarter a day. The fertilizer we used cost about \$17 a ton. The seed wheat cost \$1.35 a bushel, and we got a yield of an average of a little more than 25 bushels to the acre in the crop of 1917. The crop of 1918 we paid the men \$3 a day that sowed and harvested the crop. Our fertilizer cost us \$32 a ton and seed wheat costs us \$2.25. Those were the main items of cost. In a general way we had an increased acreage cost of production of about 50 per cent, and instead of getting 25 bushels of wheat to the acre we got 8 bushels of wheat to the acre.

Now, what did it cost to produce a bushel of wheat? I can determine within a few cents what it cost to produce an acre of wheat, but what it cost to produce a bushel is an indeterminate factor until I have got the bushel, and while we made some money on the crop of 1917 we lost money on the crop of 1918. It was grown on the same land, or adjoining land, and last winter was a severe one. Our wheat fields were covered for weeks with a sheet of ice that you could have gone skating over most anywhere, and it smothered the wheat and we got a yield of 8 bushels to the acre. Nobody but the Lord himself could have changed that condition. We were up against it. Now, the average production of wheat for 30 years, we will say—or take any other considerable period—will not exceed from this whole country more than about 15 bushels per acre. Now, then, take that general average while we gamble with all these climatic and seasonable and soil conditions in growing our crop of wheat, as we do in growing a steer, for that matter, and if the average yield of wheat is 15 bushels per acre for 30 years, more than half of that wheat was produced on land that produced less than $7\frac{1}{2}$ bushels per acre, and 25 per cent of it was produced on land that grew less than $3\frac{1}{2}$ bushels, and more than half the wheat grown in this country last year was grown at an absolute loss to the men who grew it, even on the basis of averages. I refer to these things to show the impossibility of an arbitrary price fixing. Now, if anybody believes the farmers in this country are getting rich under the present conditions, all he has to do is to go out and buy himself a farm at present prices and go to work to get rich farming. Now, somebody must farm these farms; somebody must feed our own people and provide a large surplus for people who are not able to feed themselves, and Mr. Hoover tells us that there is going to be a great demand for American food products in Europe. It is to the interest of every American citizen, whether he is a consumer, a distributor, or a producer to first have a sufficient supply for our own people of the necessary food products, then to have as large a surplus as possible in order that we may have the balance of trade in favor of our own country.

These questions are not narrow questions; they are questions as broad as the entire interest of the country, and they are questions that statesmen are not fooling their time away with when they undertake to settle them in a statesmanlike, business way, because we all are fundamentally interested in them. The people that I repre-

sent have never asked for special privileges of any kind. In a large measure they are land-owning people, and all of them are food-producing people—many of them are renters. They do not represent to any great extent the wage-earning people, but they are the actual, bona-fide, food-producing citizenship of the country. They represent in their class, perhaps, the most stable, the most conservative, the most dependable, and, I believe, the most loyal element of American citizenship, if you can segregate one class of our citizenship from another. They are very law-upholding, law-abiding supporters of orderly government, and if there is any one class that may be said to be a substantial guaranty against Bolshevism, against any other ism that makes for instability of orderly government, it is these people that are out on the farms of the country, that I represent here to-day. I believe that it is not necessary for argument to show that that is the truth. I believe that every Congressman and every citizen of this country feels that that is true. They have not harassed Congress much; they have not asked for special legislation; and I am not here to ask for any special legislation, but I want to impress upon the Members of Congress who are so patiently listening to me this fact, if I can, that these people know more about their business than anybody else knows, and that everybody else has assumed to know more about their business than they do. They have not been asked very often to help determine these problems dealing with the food question, either by the Department of Agriculture or the Food Administration. After hearing Mr. Lasater I shall not deal with either the department or the Food Administration to any considerable extent, but these people feel that they are vitally interested in good government, in orderly government, and that because they are engaged in this one thing—I mean in producing this one thing—without which orderly government can not be maintained, that they are entitled to a fair consideration and to all the profits that are just and reasonable, and that they be not exploited by other interests, because as surely as time passes these food producers must conform to the inevitable laws of economics, that they can not continue to produce food at a loss, and that they will not.

It has been said in the public press over and over since the armistice was signed, by certain labor leaders—some of them have said it to me privately—that they will not consent to a reduction in the daily wage or an increase in the number of hours per day, and that the general ideal of the wage earner is that he should have a dollar an hour. I have no objection to the people getting two dollars an hour if they can, because there are some people in this country who are getting a good many dollars an hour who are, perhaps, getting more than they are worth to the country at large, but if the wage earner is to have a dollar an hour, then the wage earner on the farms and the producing farmers themselves must have a compensation in some measure of equal value or the American citizenship must go hungry, and a dollar an hour on the American farm doesn't mean two-dollar wheat. An eight-hour day and a dollar an hour means at least eight-dollar wheat or the country must go hungry. And there you are. And I say that after having been engaged in wheat production for half a century that there must be an economic adjustment of the cost of production that will enable the food pro-

ducer to fare as well financially as men engaged in other business. A young man to-day who can get into the factories or on a daily wage of eight hours a day at a dollar an hour is a fool for staying in the country, and so he goes to town, and you have a multitude of unemployment already accumulating in American cities and centers of population and a dearth of men on the farms of the country.

I know two members of the grange organization, who are men about 40 years of age, more or less; they are brothers, and they each own about 200 acres of land, and their families are now on those farms, raising what they can—their wives and children—and both those men who having learned how to saw a board and build a pigpen or a chicken coop went to work 18 months ago at \$7.70 a day at the carpenter trade, and one of them made the statement in our State grange last December that during the last year, working at \$7.70 a day at the carpenter trade, he had accumulated more money in 12 months than he had been able to save in 25 years on his 200-acre farm. Now, that wasn't an exceptional case. Those young men have abandoned the farm and are going to stay away as long as they can get that many dollars a day working at the carpenter trade. And some of these conditions must readjust themselves, and they are undergoing a period of readjustment in the world's affairs, probably as a direct result of the war. These readjustments, these economic readjustments, have been going on since Adam, so far as I know, but they have gone on during the memory of the members of this committee and of my own memory. When I was a boy we grew the flax and the wool and manufactured the clothing that I wore on the farm where the wool and the flax grew. There has been a good deal of readjustment of economic conditions since that time, and we have not reached by any means the end of these economic readjustments with reference to food supply and all that sort of thing.

Now, I made more money producing cattle when I sold the same class of cattle at \$3 a hundred than we did when we sold last year at \$12 a hundred. There was more profit in the cattle business then, and this is not theory; it is the actual result of an experience under the conditions that existed 30 or 35 years ago. There was more profit in cattle production at \$3 a hundred then than there is to-day at \$12 a hundred, and somebody must pay the price if they get the goods, because of the higher scale of cost and of living that enters into every department of food production.

Now, some curious things have been going on just within the last few weeks in connection with the high cost of living. I read the newspapers in the cities, and I notice that every governmental employee has been contending for an increase in salary because of the high cost of living, and that every wage earner has insisted that he must have more pay because of the high cost of living, and that everybody has been insisting that the producers of food supplies should take less for the food that they produce; and the two things are inconsistent and indefensible. As a matter of fact, our economic condition is a good deal like a man going up in a flying machine, and we are all up at a high level and the question is who is going to come down first. And the problem for the statesmen to settle is how to make a safe landing of this aeroplane economic flight that

we are all making without some kind of disaster; how to get down to normal economic conditions without an economic calamity. And some of us fear the calamity.

My observation of things has shown me that under one pretext and another the salary earners and wage earners insist on getting salaries up, but I have never known the salary of a public official being reduced in all my observation of half a century. And so if, under the pretext of the present high cost of living, they can get salaries and wages and compensations of one kind and another at a high plane, and then could reduce the cost of living, they have added that much to the increase of salaries. And those things can not be accomplished and hold up production. Everybody will want higher salaries and nobody will produce food without the producers can receive an equal compensation.

I am aware that some of these things are not very immediately related to the question of the packers, but in an indirect way and in a general way and from the standpoint of these people I represent, they are all fundamental, and all of decided importance.

Farmers are not skilled in lawmaking or in statesmanship, but they know there is something wrong in the manipulation of the great packing industry, and while they do not undertake to tell their Representatives in Congress just how to remedy the wrong and protect them from unjust exploitation, they are expecting you to find and apply the remedy. They express the hope that the valuable information secured by the Federal Trade Commission may assist in the solution of the important problem of food distribution. That the evils set out by the Federal Trade Commission are a serious menace to both the producers and consumers can not be doubted by any fair-minded man, the facts of which are clearly established by the admissions of the packers themselves and the statements of others before this committee. It is now up to Congress to protect the many against the cupidity of the few—and I anticipate some member of the committee is getting ready to ask me how to do it. That is the real problem. I want to say for myself and for the people I represent that we all have the unqualified conviction or belief that the American Congressmen, both in the Senate and in the House, are patriotic men who would do what is best for the common weal if they knew what to do. I believe that. I have heard all sorts of reflections made on Congressmen and charges made that they were influenced by this interest and that interest against the common weal, and I think in exceptional cases that may be true, because Congressmen are just human; but I would lose faith in democratic institutions and in my own country and in the future if I did not have implicit faith and confidence in the honest intentions of the American Congress to protect the interest of the masses of the American people against those who enjoy special privileges. Now, then, these specialized interests that represent large capitalization are always able to take care of themselves, and the only reason that I can conceive of for orderly government is to protect the interest of the great mass of citizenship against exploitation and injustice at the hands of the few who happen to be so situated that it is possible for them to exact a pound of flesh, as Shakespeare puts it, from nearest the heart of the American public.

I believe Congress wants to do that, and I know the people I represent have faith that they mean to do that, and that they are trying to find some way, and the best way to protect the people who are growing cattle in Texas, and cattle in West Virginia, or anywhere else, against unfair exploitation by the packers, if they are unfairly exploiting these producing interests. The packers can take care of themselves; they take very few chances; but the producers of the food supplies, as I tried to indicate a while ago, are gambling all the time with climatic conditions, with fungus diseases, with destructive insects, and with a probability of a large yield producing a small price for their commodities. You can only deal with their proposition on the basis of an average covering a long number of years, but when a packer gets the steer in his slaughterhouse at so much a pound gross, he can tell you within a fraction of a cent what it will cost him to put the meat-selling stuffs in the consuming market. He takes facts and no chances. It is a pure matter of mathematics, and if there is to be any control, either by the Food Administration or any one else, it is unscientific and indefensible to begin that control with the producer of the food supply who is gambling with Providence and with climate and with soil fertility and all the elements of uncertainty that enter into a problem of food production.

Just one reference to the price fixing of wheat again. When wheat was worth \$3.06 a bushel when the price was fixed at \$2.26, the consuming public, perhaps, were well satisfied with that situation. The price might have gone to \$4 or \$5 or \$6 a bushel, so far as I know, but when the armistice was signed and the war was over and the wheat in Argentina and Australia and anywhere else that they may happen to be available, the efforts to sustain the good grace of the Government in maintaining the farmers' price of \$2.26 a bushel appeared to be a sort of outrage against the consumer. The American farmer grew wheat during the war period from patriotic motives. I heard hundreds of them say, and I heard it said by a good many in the national grange a year ago last fall, that they were perfectly willing to give the entire products of their farm without any price whatever for that year, if it was necessary to lick the Kaiser. The question of profit did not enter in in growing their wheat or the other farm products these last two years; but we have reached a condition now where the question of profit must enter in, and the farmers must have a price that means a profit, or they are poor business men, unjust to themselves and to their dependents, if they do not treat the business of producing food products upon a business basis, without which pays them as well as any other business that they can engage in.

As I said in the outset, the fundamental problem, as I see it, the one question, if it can be remedied by legislation, is the question of reducing the cost of distribution. Somehow or other, to bring these food products that are produced in a business way by business men at a reasonable profit to the hands of the consumer, or to the tables of the consumers, at the lowest possible cost to them, is your problem, and to my mind that is all that is involved in this whole packer problem. Without going into the detail of that packing-house business there is not a farmer in America who does not believe that it is

a misstatement of facts to say that the profit of the packing business is not greater than 79 cents a head for the cattle slaughtered. Maybe they do not know, but I believe that the conviction is absolutely universal that the great packing-house monopoly that controls practically the entire meat products of the country are a little short of angels if they do not exact more than 79 cents a head for the cattle they slaughter. There is not a farmer in this country but will admit without any hesitancy that if he were in the packing business and had a monopoly of it, as they know the packers have a monopoly of the business, that he would exact more than 79 cents a head; and, being human and reasoning from the standpoint of human weakness and avariciousness, we all know that when the packers stand up here and make the statement that that is all the profit they make on their business, we know they are a little less or a little more than the average man, and knowing these facts we do not need any evidence to convince us that there is more profit in the packing business than they are willing to admit. How they have camouflaged the facts I do not know. I know very well if I had a packing-house monopoly, or any other monopoly, I would exact a larger profit than they claim they exact. Now, then, somebody must effect distribution, and that distribution ought to be effected on a very conservative profit, because of the large extent of the business which is brought into the hands of a large capitalization. I confess that I am not able to undertake to indicate the remedies for some of these conditions that we all recognize exist, and if I was to suggest what would seem to be the most reasonable remedy I would be in conflict with the judgment of some of the people that I represent here, because there is some diversity of opinion, and I say this in fairness to all the people I represent, and perhaps to the people that I do not represent, that there is a decided change of public opinion, I mean particularly among the average farmer citizens of this country, on the whole problem of Government ownership of anything. The experience of the last two years in connection with the railroads has pretty nearly revolutionized American farmer sentiment on the question of Government ownership.

I am in pretty close touch with these people who are out in the fields and on the farms of the country, and they are not the fools or the stupid people some people are inclined to think they are. And when they get their mental processes adjusted to conditions they are pretty usually sound. Theoretically Government ownership is a cure for all exploitation of the public and all monopolistic influences. Theoretically, I say, that position is sound, tenable, and defensible, but when we come in contact with the conditions and with a certainty that these problems of Government ownership involved also the problem of American politics, then we get to be a little skeptical, to say the least of it, about questions of Government ownership; and yet, as Mr. Lasater said this morning, that if we must have the prices determined by an invisible, irresponsible agency; with all the objection to Government ownership and the Government entering into business, perhaps is a choice of two evils, and we would prefer a Government instrumentality to this selfish, invisible influence that performs this function for us of determining the prices we shall have and the

various means of discrimination and favoritism that has been shown to enter into every monopolistic influence.

So, with all the difficulties from every standpoint, I would prefer that you gentlemen, as members of Congress had these questions to settle, to having to settle them myself; and believing in your patriotism and your realization of the fact that the men out on the farm are the men whose interests need looking after rather than the interests of the people of large salaries and large incomes, if the Nation is to be fed, and fed adequately, and I feel like resting the whole question in your hands; and whatever may come out of these hearings and these questions pending before Congress, whether you approve the principles in the Sims bill or the Kenyon bill, which is identical, or of some other measure, or you modify some of these bills, that when it is all over, so far as the farmers of the country are concerned, they will insist on a strict adherence to the law, and that it be given a fair trial. If it does not work a cure for the economic conditions which we all recognize as being involved, we will come back to you Congressmen or your successors; and maybe if it works out all wrong, we will try to see that you have successors; but if it works out all right, we will try to see that you do not have successors. But the problem is up to the American statesmen and because of the change of economic conditions brought about through the influence of the war and the necessary change of conditions that were coming anyhow, it must be met, and met intelligently, and met in a broad-minded statesman-like way. We can do no better, as law-abiding citizens and in good faith, with such help as we can give, than to put this whole problem up to Congress and ask them to deal with it as impartially as it is possible for human intelligence to deal with it, and when we have submitted the case in that way it is your problem, and as good citizens it is our problem and our business to see that your conclusions are given a fair trial and tested by the final test of all economic questions, and that is by experience, and we can learn by experience, as we learn in no other way, and as conditions change, and if you restore the railroads to the owners, or decide that the Government shall own them itself, you will have some additional questions before you for determination.

I feel like apologizing for having taken so much of your time. I said the other day that 15 minutes would satisfy me, but then I intended only to read the notes I had. I have been so intensely interested for about half a century in these questions that concern the American farmer, that it is as easy for me to talk a week as it is for me to talk an hour.

I wish to thank you for the patience in which you have been listening to what I have to say, and unless you wish to ask some questions I am through.

The CHAIRMAN. Mr. Esch, do you wish to ask questions?

Mr. ESCH. At your annual meeting you held at Syracuse you adopted resolutions other than the one you read in reference to the packing industry?

Mr. ATKESON. No, sir; not in reference to that business.

Mr. ESCH. But you passed other resolutions?

Mr. ATKESON. Yes; on other subjects, but that is the only resolution in regard to the meat packing or Federal Trade Commission's findings.

Mr. ESCH. You thank the Federal Trade Commission for having made this report. I did not gather that the resolution adopted or approved the bill that is the result of such investigation?

Mr. ATKESON. They did not, and the resolution was specifically worded to avoid an indorsement of the recommendations of the Federal Trade Commission

Mr. ESCH. You only made it refer to the investigation and information?

Mr. ATKESON. What information?

Mr. ESCH. And the information that was spread out among the people. At your Syracuse convention did you pass a resolution against Government ownership of railroads?

Mr. ATKESON. No, sir.

Mr. ESCH. The grange is opposed to Government ownership, is it not?

Mr. ATKESON. That question has come up in the National Grange practically every year for 35 years, in one form or another, and it has never gone on record in favor of Government ownership, except in reference to the telegraph and telephone.

Mr. ESCH. Under this bill it might reach to Government ownership of stockyards, terminals, belt lines, refrigerator cars, branch houses, and stockyard sites. Do you think it is necessary for us to go to that extent to meet the evils which lie in the cost of distribution?

Mr. ATKESON. In the first place, in answering your question I could give you the opinion of a considerable part of our organization, of our people, and then I could give you my personal opinion. If the Government continued to operate or own the railroads, which it probably will not, it would involve one set of conditions that would not be involved if they were not operating the railroads. So far as I am concerned, I have never been able to see why it could affect the question very seriously for the Government to own the stockyards, or whether the Government owned and operated the railroads. Of course, if they owned and operated the railroads they should own the stockyards, terminals, etc., but if the railroads are operated by their former owners it has always seemed to me that the Government should somehow guarantee to everybody who had a carload of meat or other products, should identical cars when needed, and, that if the railroads owned the cars, there would be some guarantee that those cars would be furnished to all producers alike. The same thing is true of stockyards, terminals, etc. If the railroads owned the stockyards and they are compelled by legislation to furnish service to the public without discrimination, it would not be necessary for the Government to own either the refrigerator cars or the cattle cars. My own opinion is, as conditions exist, that it is absolutely necessary that the Government, or some Government authority—it might be a corporation—entirely independent of the packers themselves should own the terminals and the stockyards. Undoubtedly the packers ought not to control the stockyards or to be in a position to control them directly or indirectly. Government ownership would avoid that, without collusion existed between the Government officials and the packers.

Mr. ESCH. Under the car-service act, which became a law on the 29th of May, 1917, we gave the Interstate Commerce Commission very large powers over car service, as you perhaps know; but that

came just a little before the roads were put under Federal control, and it never had a chance to operate. Do you think that car-service act, if fully carried out by the commission after peace shall come, will meet many of the causes of complaint now being made against the packers?

Mr. ATKESON. It is my own conviction, and I think it is the opinion of a majority of our people, that at least that provision of the law is entitled to a fair trial rather than Government ownership.

Mr. ESCH. I am glad to have you say that, because we had quite an effort to put it into the law and we hoped it would fruit, but it has not had a chance to fruit yet.

Mr. ATKESON. And we believe it ought to have a demonstration before we resort to the last alternative, which is Government ownership.

Mr. ESCH. I understand. Have you any concrete recommendation to make to us as to how we can, through an act of Congress, reduce the distribution cost?

Mr. ATKESON. It is pretty hard to suggest a remedy for a universal evil.

Mr. ESCH. I know, but you have placed the solution upon Congress here, and you are a man of intelligence and experience, and therefore your word is entitled to much weight, and has weight with us, and we want you to help us to reach a right solution. Have you suggestions to make that will aid us?

Mr. ATKESON. That whole problem of cost of distribution involves a multitude of economic questions, and distribution is just as important as production to the consumer. It must be somehow made available to him, or it does not make any difference how much there is in the country if it is not delivered. In answer to your specific question, theoretically the answer would be this, to my mind: It would be a governmental instrumentality of distribution which took it from the field of production and delivered it to the consumer at the lowest reasonable cost; that is, eliminate all the elements of profit. Theoretically, I say, that is absolutely economically defensible. That is, that the Government, being the public theoretically works for the public without profit, but the objections to that theoretical proposition include all the problems of salaries and wages and governmental costs and influence, so that I have to eliminate that theoretically correct proposition because of its impracticability. That is, I am inclined to think that it would cost more, if properly controlled, than a private instrumentality of distribution; so that it has seemed to me that about all that can be done by way of legislation is to see that the instrumentalities of distribution are not permitted to exploit either the producers or the consumers. By that I mean this, and I have lost some sleep first and last over the problem, when the food supply passes into the hands of the distributor, all the items of cost of distribution are absolutely ascertainable. That is, the distributors themselves know exactly what it costs, and I am inclined to believe that if some public supervision were taken of these instruments of distribution, that you could do very little more by legislation. The alternative is Government distribution directly, and we have a field of objections to that. Take the case of the milk distributors in our own city here and in New York, where the conditions have become acute in recent years.

The two great distributing companies in New York declared dividends resulting in millions of dollars a year, while the milk producers claim at least that they are not able to pay for the feed that their cows eat. Now, the milk producers deal with all these elements of uncertainty that I spoke about a while ago, but the milk distributors know absolutely to the fraction of a cent what it costs to distribute a gallon of milk in the city of New York, and if there is any serious wrong anywhere in the matter of distribution it is in the cost being greater than is justifiable. Those distributors, if they do business, must have a reasonable profit or they will quit—just like the farmers would quit—and it has seemed to me that all that legislation could do to affect this question of distribution was to subject all the distributing factors, those that have any large amount of distribution—the fellow who carries a little stuff up to the market and hauls it in his one-horse chaise and distributes it does not enter into the problem—but these monopolistic distributing factors are the ones we are all concerned about, in this city and all other cities; it has seemed to me that if they were given some system of supervision by which some governmental authority should determine the reasonable percentage of profit which they are entitled to that the distribution would be more economical and more satisfactory than if the Government undertook to do it itself. One or the other seems the inevitable alternative, either a supervision of the distributing instrumentalities of the country or a direct Government distribution, and that involves the question of municipal ownership and the whole question of Government ownership as compared with service by individual initiative and operation.

Mr. ESCH. Of course you realize we are under the limitations of the Constitution as to how far we can go in legislation in these matters in times of peace, and this is intended for peace legislation.

Mr. ATKESON. I understand.

Mr. ESCH. Although the bill seems to have been framed at the time we were at war.

The CHAIRMAN. Mr. Hamilton, do you wish to ask any questions?

Mr. HAMILTON. As a representative of the national grange, and speaking for the national grange, I understand you to say that you are opposed to Government ownership as a general proposition, speaking broadly?

Mr. ATKESON. I hardly said it just that way.

Mr. HAMILTON. I ask the question so as to give you an opportunity to state it as you want to state it?

Mr. ATKESON. I think I can say for the people I represent, and I am glad to have a chance to make this general statement for them, that they do not favor Government ownership of anything, except as a last alternative. That is, as a general proposition the grange does not favor Government ownership, and yet they have been just as far from going on record of opposing Government ownership, and in these 52 years of its life and for the last 35 years of that time that the question has come up from many angles, and there has been no time, except as to telegraph and telephones, and that was with a difference of opinion, has the grange ever gone on record in favor of Government ownership, and it has been just as decided in not going on record as opposed to Government ownership.

Mr. HAMILTON. Right in that connection there was a declaration by the grange, was there, in relation to the control of the telegraph wires?

Mr. ATKESON. Yes.

Mr. HAMILTON. The telephone wires, cables, and radio systems?

Mr. ATKESON. I do not think it included the cables and radio systems; it did include the telegraph and telephone systems.

Mr. HAMILTON. Did they go on record?

Mr. ATKESON. Yes.

Mr. HAMILTON. What did they say?

Mr. ATKESON. They said it in very few words. I can not quite quote it; if I had a journal of the last session and other sessions here I could give it to you, but it was on the theory that it would give us cheaper and more universal service at the hands of the telegraph and telephone instrumentalities that they favored making it a part of the general postal system, as it is now in operation.

Mr. HAMILTON. When and where did they do that?

Mr. ATKESON. At some previous meeting they had gone on record, but I remember distinctly that they repeated a former declaration at the session in this city in 1916, November.

Mr. HAMILTON. Have they receded from that conclusion?

Mr. ATKESON. No, sir.

Mr. HAMILTON. Not as a matter of record, I understand you, they have not?

Mr. ATKESON. They repeated that same declaration, as I remember now, at Syracuse last November.

Mr. HAMILTON. What is your opinion of the sentiment in the grange at this time after the illustration of the operation of the telegraph lines and the telephone lines during war conditions?

Mr. ATKESON. That has been going on so short a time that perhaps they have not formed much of a conclusion as to that based on experience. One of the leading advocates, and he was perhaps primarily responsible for the grange committing itself on that question, was a gentleman who is now largely in charge of that service, ex-Congressman Lewis, of Maryland. You know something about his attitude on that subject, and he is a member of the grange.

Mr. HAMILTON. I did not know that.

Mr. ATKESON. He has been a rather radical advocate of Government ownership of telegraph and telephones.

Mr. HAMILTON. Is Lewis a farmer?

Mr. ESCH. He used to be a miner.

Mr. ATKESON. I remember from the statement made by Mr. Lewis we were led to believe from the figures he submitted and the statistics he submitted, that under the Government ownership system it would reduce the cost of service, it seems to me, about 75 per cent, and we have found that under the present manipulation it has increased the service under Mr. Lewis's administration.

Mr. HAMILTON. Not the cost of the service?

Mr. ATKESON. That is right.

Mr. HAMILTON. Is it your opinion that the service has been as efficient?

Mr. ATKESON. I will give you an illustration. A gentleman friend of mine in this city within the last 48 hours brought up a case. He wanted to talk to our capital city down at Charleston, and he under-

took to get a gentleman who was supposed to be in a hotel down there, and after the telephone operator had communicated with Charleston and the hotel he had to deposit 35 cents before she would tell him whether the gentleman was in the hotel or not. That never occurred before.

Mr. WINSLOW. That is sufficient.

Mr. ATKESON. And he dug up the 35 cents, and she notified him that the gentleman was not in the hotel. Then the question was how to get the gentleman to the telephone, and he had to dig up something more to see if we could get him to come to the telephone. That did not used to occur.

Mr. HAMILTON. Have you had opportunity to observe whether the telegraph system is as efficient as it was?

Mr. ATKESON. I do not know that I know; I have not had occasion to use the telegraph much. I do not know what their toll rate is compared to former times. I understand there has been some re-adjustment of the rates, but I could not answer that question.

Mr. HAMILTON. I understand you also to say that you do not believe in price fixing?

Mr. ATKESON. No, sir; or I do believe in it to the full extent. That is, if you are going to fix the price of a commodity you must fix the price of every item of cost that enters into its production.

Mr. HAMILTON. You recognize that would be a colossal undertaking?

Mr. ATKESON. I recognize that, and I recognize that if that is colossal and unattainable the other is indefensible. [Laughter.]

Mr. HAMILTON. One other subject. You spoke of what might be termed grocery centralization. I also live in a small town; I have been confronted with these same conditions that you describe. Now, in the case you describe there were 15 grocers. It occurred to you that the price of distribution—that is, the price to the consumer—might possibly be reduced if there were not so many groceries paying rent, clerk hire, electric service, and delivery service. In connection with that we are confronted with this question, whether if you had but one grocery, bearing in mind the frailties of human nature, the grocery keeper of that one grocery might not raise the price to the consumer because there was no competition. That is another phase of the problem.

Mr. ATKESON. If he had a monopoly, he would certainly do it, or I would if I were in his place.

Mr. HAMILTON. Therefore I suppose you would say you need the element of competition?

Mr. ATKESON. Or a monopoly-controlled instrument of distribution, but if you have eliminated fourteen-fifteenths of the cost that would be worth while. For instance, in the case I cited—and I do not know whether I made it clear—sitting on my porch there were 15 delivery wagons I saw one evening running past each other, one delivering here and one delivering there, and one of those delivery wagons at one-fifteenth the cost could have rendered the entire service.

Mr. HAMILTON. You are familiar with the system that has been introduced recently, the system called the buy-and-carry system?

Mr. ATKESON. Yes, sir.

Mr. HAMILTON. Do you think that helps some?

Mr. ATKESON. Very little.

Mr. HAMILTON. Of course, we are going into a good many things here, but I would like to have your views on that.

Mr. ATKESON. I said I thought it would make very little difference. In the first place, under our present complicated economic social system, we are all willing to pay for the conveniences. For instance, we are living, my wife and I, on Lamont Street in this city, and she is there by herself all day and she gives her orders for groceries over the telephone and for that service she would rather pay a few more cents than go outside a square or two. She does not object to carrying a package home if she happened to be at the store, but a part of our system is the convenience of the telephone, she is paying for that, and she takes down the hook and orders what she wants from the grocer once or twice a week. But there is no reason in sound economics why some system could not be developed that would not necessitate a cost of more than the thing was worth to make the delivery. I have known grocerymen in my town, where I was better acquainted than I am in Washington, to deliver a package that the cost of delivery is more than the price charged for the thing delivered, that is certainly a waste of energy, and the community at large has to pay for it. I do not object to paying for a service at a reasonable price, and the buy-and-carry system does not work, unless everyone should go to the store to get what they wanted and nobody deliver, in which case they could sell for a percentage less.

Mr. HAMILTON. We are obliged to recognize that the more hands a commodity goes through the more it costs to the ultimate consumer.

Mr. ATKESON. There is not any question about that.

Mr. HAMILTON. That has to be so.

Mr. ATKESON. That is obliged to be so.

Mr. HAMILTON. I know something about farming. I still own the old farm where I was brought up. I think a great deal of what you have said is true. This question about distribution is a tremendous question. In the Michigan fruit belt, for illustration, I have seen great quantities of apples rotting under the trees, and just across Lake Michigan in the city of Chicago there were thousands of people who would have been glad to have had that fruit and yet there was no means of transportation at any reasonable cost so that those people could have what was being absolutely wasted. I do not know how to solve that.

Mr. ATKESON. I have tried to get that problem before your mind, that this problem is one of distribution.

Mr. HAMILTON. It has been before our minds; it is before the minds of the country.

Mr. ATKESON. I would have been perfectly willing to quit a long time ago, and if you gentlemen are through with me I am through with you.

Mr. WINSLOW. Do you appear here officially, or in a private capacity?

Mr. ATKESON. How do I appear?

Mr. WINSLOW. Do you appear as a delegated representative of the grange?

Mr. ATKESON. Yes.

Mr. WINSLOW. Specially appointed to appear here in favor of the bill?

Mr. ATKESON. At this time perhaps I ought to say this before I answer your question. From time to time during a great many years there have been people in this city assuming to speak for the National Grange. At the session of the National Grange last November they decided to establish headquarters in this city, and I will give you my card so you can locate us, and we will be glad to see any Member of Congress or anybody else who is interested in these large agricultural problems at any time; and, whether worthily or unworthily, it so happens that to-day I am the only man in this city that is officially authorized to speak for this national organization of a million farmers.

Mr. WINSLOW. I will accept that statement as being entirely correct, but yet it does not bring the information quite to the point where I want it. I would like to know if you have had specific instructions from the grange, its executive committee, or any other body representing it, to favor the bill as a representative of the grange?

Mr. ATKESON. My authority is set forth in the resolution I read.

Mr. WINSLOW. I am sorry to take the time, but I do not know what that was. I was not here when you qualified.

Mr. ATKESON. I have carefully refrained from indorsing any bill, and the grange indorsed the valuable information given bearing on this question, on the packing-house problem, secured by the Federal Trade Commission, and they expressed the hope specifically in the resolution that this information will be of service in securing a remedy for these existing evils.

Mr. WINSLOW. I think we can thank them for the information, whether it is right or wrong, and as to the hope that it will bring about good results, we will all agree on that; but what I am after is to know whether or not you are appearing here with due authority to say that you represent the grange and that it is in favor of this bill. That is what is before us. We will agree on these various fundamentals that you have set forth so ably, but it is the bill we have to pass on?

Mr. ATKESON. If I were writing the bill I would not write it just as it is.

Mr. WINSLOW. I am trying to save time; I am not trying to get up a debating society. I am a member of the grange.

Mr. ATKESON. What state?

Mr. WINSLOW. Massachusetts.

Mr. ATKESON. Oh.

Mr. WINSLOW. And I know the proneness for discussion which they have, and you and I both understand that. It is not that I am after; it is to get at the real facts. I want to know whether I am a member of an organization that actually has indorsed this bill?

Mr. ATKESON. It has not.

Mr. WINSLOW. So, then, you appear here as one looking after the well-being of the grange as a whole, and do not care to commit the grange ultimately and conclusively to your opinions.

Mr. ATKESON. I have not even expressed an opinion on this bill.

Mr. WINSLOW. I will not take exception to that at all. The point is, you do not come here particularly to favor this bill?

Mr. ATKESON. No, sir.

Mr. WINSLOW. But to give information in a general way which should help us in reaching our conclusions?

Mr. ATKESON. Yes, sir.

Mr. WINSLOW. Well, that is fair. Let us take the price of beef. What do you say is a fair price for a pound of beef to-day in the household?

Mr. ATKESON. It depends on where the pound of beef comes from on the animal.

Mr. WINSLOW. Take any price you want to give for it; say we take 60 cents?

Mr. ATKESON. It seems to me impossible to answer that question specifically.

Mr. WINSLOW. Well, to begin, let us say 65 to 70 cents. There is no guesswork there.

Mr. ATKESON. That is what we pay in this city.

Mr. WINSLOW. We will take 65 or 70 cents. Which one do you want? I want to make the choice and have it as near your way as I can get it?

Mr. ATKESON. If it were the question about the value of a pound of hog, I could tell you.

Mr. WINSLOW. I will take bacon, which is a perfectly well-known article, just as much as coffee or any other article, and I want to agree with you on price. Otherwise we will be quibbling every step of the way.

Mr. ATKESON. I will have to do a little figuring to determine from the consumer's standpoint what a pound of bacon is worth.

Mr. WINSLOW. You are getting away from my question. I merely want to ask what do you gentlemen say is a fair price for a pound of bacon to the consumer?

Mr. ATKESON. At 60 cents.

Mr. WINSLOW. All right. Between nothing and 60 cents there are the profits to be paid by the consumer. I am going to start at 60 cents on one and nothing on the other. That is before the pig was born. After the pig comes into the world he is the property of the farmer—

Mr. ATKESON. But not without cost.

Mr. WINSLOW. We will get down to the cost later. He starts in with one pig that rates nothing at one time, just before he is born. Then he comes into the world. Do you think the farmer makes too much profit on the sale of this pig now?

Mr. ATKESON. I do not.

Mr. WINSLOW. So we will eliminate the farmer; he does not make anything and he ought not to. If there is a middleman there, the producer—does he make too much?

Mr. ATKESON. Somebody makes too much if the consumer pays too much.

Mr. WINSLOW. Let us get down to the facts. Does the producer who sends a pig to market make too much money?

Mr. ATKESON. You would have to determine what it cost him before you can determine that.

Mr. WINSLOW. But you tell me that the farmer is not making too much?

Mr. ATKESON. I am satisfied of that.

Mr. WINSLOW. Does the next fellow make too much, in your judgment?

Mr. ATKESON. But you have to determine how much the farmer made before you can determine what the other fellow made.

Mr. WINSLOW. Well, I will just pass this up; it is just a trial of wits. The gentleman does not meet me right, and he is trying to stand me off, and I do not waste time on this.

Mr. ATKESON. Let me make one statement, and I will be through on the hog question. I want to say that no farmer can afford to produce hogs and sell them at his farm at less than 1 cent gross for each 10 cents of corn; if corn is worth \$1 a bushel the farmer must receive 10 cents a pound for his hog at his feed lot, and if corn is worth \$2 a bushel he must have 20 cents, and then he can grow hogs on that basis. When you start from that point, if the farmer is getting much more than the price of his corn on that basis, barring hog cholera and other accidents, then you can begin to determine what the distributor is getting. If the farmer is getting 15 cents for his hogs, gross, at his feed lot, he can afford to feed those hogs on \$1.50 corn with a fair chance and he can not price those hogs any less. I make that after 15 years' experience and knowledge of conditions in the hog field.

Mr. HAMILTON. Do you mean shelled corn?

Mr. ATKESON. A bushel of corn always means shelled corn; it means 56 pounds of corn.

Mr. HAMILTON. We sell corn on the ear.

Mr. ATKESON. When I speak about a bushel of corn, I mean a bushel of corn and not a bushel of cobs. When you take the basis, and that is economically sound, then a well-fed hog weighing between 200 and 300 pounds will lose in the offal which the packers make some use of about one-fifth of his waste, and the packers make enough from the offal to pay the cost of butchering. Then there are certain parts of the hog that make breakfast bacon and some make ham, and every different part of the hog brings a different price. I knew an old fellow down in West Virginia who has been living on the heads and feet which his neighbor had been giving him, and he got to be pretty well off, and when he offered to give him some more the man said he was eating a little further back on the hog; he was able to pay a little higher price for his hog. So, when you want to take the price per pound for bacon, when you have fixed your cost of production on the basis of 1 pound of gross hog for every 10 cents in the value of corn, you get a good safe point to start from, and then when you fix the average price secured by the butcher or the packer for the hog above that price, allowing 20 per cent for offal, which of course the packer utilizes as one of the by-products, you will begin to find what the packer is getting, or the producer is getting, and whether the distributor is getting more than he ought to have. It is a mere matter of mathematics, and if I had paper and the time I would figure it out to the fraction of a cent.

Mr. WINSLOW. Will you figure it out that way and submit it to the committee?

Mr. ATKESON. I can do that to-morrow.

Mr. WINSLOW. Will you do that and put it in your testimony?

Mr. ATKESON. I think I can give you figures that would be of some value.

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Mr. HAMILTON. You have a right to extend your remarks and you can add the matter that Mr. Winslow asks for. The point is to determine who is getting too much, if the consumer is paying more than he ought to pay.

Mr. WINSLOW. Quite right.

Mr. ATKESON. I think I can give the figures in such a way as to be understandable.

Computation on the basis of a farmer's 25 hogs, which were butchered and sold, and the prices given are the wholesale and retail prices prevailing in this city Feb. 1, 1918.

Number.	Description.	Pounds.
4	Rough heavy hogs (sows).....	2,204
14	Heavy hogs.....	3,317
4	Light medium hogs.....	523
3	Light hogs.....	275
25	.....	6,379

Kind of meat.	Meat amount.	Local wholesale price.	Amount.	Local retail price.	Amount.	Per cent.
Pork (loin).....	352.50	\$0.40	\$141.00	\$0.47	\$165.67	7.75
Lard.....	560.00	.29	162.40	.33	184.80	12.53
Sausage.....	420.00	.38	159.60	.42	176.40	9.45
Spare ribs.....	171.50	.25	43.08	.35	60.02	3.75
Hams.....	835.75	.34	290.96	.45	385.08	18.81
Shoulders.....	961.50	.32	307.68	.40	384.60	21.14
Bacon.....	709.25	.41	290.79	.50	354.62	15.77
Liver.....	66.50	.08	5.32	.20	13.30	1.45
Heads.....	400.00	.22	88.00	.22	88.00	5.79
Hearts.....	15.00	.20	3.00	.20	3.00	.33
Intestinal fat.....	45.00	.20	9.00	.20	9.00	.29
Feet.....doz.....	8	.40	3.20	.50	4.00	.....
Total.....	4,550.00	.....	1,504.03	.....	1,828.49	.....

With corn at \$1.50, selling price at 15 cents, the hogs brought 6378×0.15	
or cost of production.....	\$956.70
Wholesale price \$1,504.03, less cost \$956.70, wholesale margin.....	547.33
Retail price \$1,828.49, less wholesale price \$1,504.03, leaves retailers margin.....	324.46
Wholesale margin.....	547.33
Retail margin.....	324.46
Total.....	871.79
Farm price.....	956.70

Mr. SWEET. In your statement you made some reference to some remark made by Jim Hill, the great railroad builder, in which he said in substance that in 15 years consumption would overtake production?

Mr. ATKESON. That statement was made 15 years ago. It was carried in the magazines at the time he made it.

Mr. SWEET. Is it your judgment that at the present time, regardless of war conditions, that consumption has overtaken production?

Mr. ATKESON. It either would have by this time, or very nearly. but we have largely increased our production through patriotism and the hope of reward of higher prices, and all that sort of thing, and the production has been largely increased during the war period.

Mr. SWEET. And your view of this matter is that more attention should be paid to farming and the production of farm products?

Mr. ATKESON. Yes, sir; the whole world is interested in that question.

Mr. SWEET. You also stated in your statement that at the present time we were on an artificial basis?

Mr. ATKESON. Undoubtedly that is true.

Mr. SWEET. What artificial basis have you reference to—the fact that we have now the high cost of living and high wages? What suggestion have you to make to this committee in order that we may get off from this artificial basis down to a sound basis?

Mr. ATKESON. I hardly know what suggestion to make, but I realize that we must get down to this sound, normal economic condition. Our wage earners and profit sharers insist that the food producers must come down first, and perhaps the food producers would say that wages and profit earnings should come down first. The fact of the matter is that there is going to be more or less of first one and then the other coming down, and the real problem is to make a safe landing without wrecking something or somebody. If there is unemployment in the cities and underemployment on the farms, and I think that is true now or will be when the spring opens, then the farmer must have a reasonable assurance of a sufficient compensation for his products to justify his going into the labor market and paying the price, or this country must go hungry. It is unreasonable to expect a man to work on the farm for less compensation, all things considered, than he could secure somewhere else, or that other people are securing for the same kind of energy and industry, and all that sort of thing. I do not see how legislation can remedy it very largely, but certainly they ought to safeguard the farmer against any decided reduction of food products, because everybody is interested in his products as much as he is himself, and none of us can live without the products of the farm, and somebody must cultivate the fields. It requires labor, it requires time, it requires a sound business condition, and anything Congress can do to prevent the pulling of the props out from under food production while the props are kept up under other incomes for profit or investment, or what not, disaster is sure to follow the pulling out of the props.

To illustrate what I mean by that, suppose Congress would pull the props out from under the wheat price and that wheat would go down to \$1 a bushel, as some people have contended. The people in the cities, the consuming public, would get their flour at less than it would cost if the price remained at \$2 a bushel; but just as sure as twice two is four that consuming public will go hungry next year as a result of that proposition. At the present wage price, the present incidental cost of production, next year's wheat crop on a \$1 basis is absolutely impossible. There is no sane man in this country who, under those circumstances, will sow wheat next fall, or at any rate the amount of acreage will drop down. Some wheat will be grown on the most profitable acres, but there will be a tremendous reduction of the wheat production of this country on the basis of \$1 a bushel, and you may pull the props out this year and possibly

the consumer can get his flour at half what he will if the price remains at \$2 a bushel, but there will not be any big crops next year.

Mr. SWEET. And he will also be discouraged from producing next year because of the prospect ahead.

Mr. ATKESON. It would be impossible for him to do it next year, or for a number of years. It would mean bankruptcy.

Mr. SWEET. From your statement the conclusion can be drawn that farming at the present time is not a profitable business. Now, is that partially due to the high cost of labor?

Mr. ATKESON. Very largely.

Mr. SWEET. Is it due to a general depletion in the soil of this country?

Mr. ATKESON. That is an important factor. The high price of fertilizer is another thing; it is twice what it was before the war.

Mr. SWEET. Are there any other causes that enter into the lessening of food production in this country at the present time than those you mentioned?

Mr. ATKESON. The increase in land values is an important factor. Our lands have gone up, and if I were asked to tell you the one most discouraging economic factor in this Republic to-day, it would be the question of nonresident landlordism.

Mr. SWEET. The increase of tenants all over this country?

Mr. ATKESON. The last census showed that over 40 per cent of the best farms, and a little more, were in the hands of nonresidents. The next census, in my belief, will show an increase to between 50 and 60 per cent. That means a depletion of the soil, an exploitation of the soil, a calamitous condition.

Mr. SWEET. That means a general running down of farm property, when the farm property is in the hands of tenants?

Mr. WINSLOW. Is that likewise true, as a direct reduction from that condition, that the quality of the farmers is deteriorating also?

Mr. ATKESON. As far as tenant farmers is concerned they are decidedly an inferior class of farmers, because of their relation to the land.

Mr. WINSLOW. Indicating that the highest efficiency which should be employed in agriculture is not in effect?

Mr. ATKESON. That is right.

Mr. SWEET. In other words, to put it generally, then, the general efficiency and skill in the handling and working of the farms is going downward instead of upward. Is that true?

Mr. ATKESON. I think that for the entire farming community that is true, and it is true almost entirely because of this question of landlordism and tenancy.

Mr. SWEET. What do you suggest as a remedy?

Mr. ATKESON. We are getting a good piece afield, but I have never been able to find but one suggestion. For instance, in one State—I do not care to name it—there is one of the finest farms in the United States. The farmer who owns it has a wife and two daughters and he has moved into the capital city of that State, some distance from his home. That farm contains 1,000 acres, and that 1,000 acres would make 10 good farms if there were 10 intelligent farmers on each 100 acres, because every acre is susceptible of a high state of cultivation. He has moved into the capital city, and I do not blame him, because each individual should do what he thinks is best for

himself, but that 1,000 acres is being worked by tenants, and in three or four years' time you will be able to drive along the highway and see the difference in that farm from what it was before. That 1,000 acres, if it had 10 families on it who were dependent on it for their living and their posterity were dependent on it, they would take care of it. That 10 families could support their own school; they could support their own church; they could have a desirable social community interest, but when Mr. Man has moved to the capital city and has transient people from year to year moving in and out, those people care but little for schools and less for churches, often, and you begin to develop a condition in the country where the most intelligent, successful cultivators of the soil can not afford to live and raise their families.

Mr. SWEET. Because of the disorganized condition of the whole community?

Mr. ATKESON. That is one of the most serious problems. It is a little afield from our discussion here, but it is a basic, fundamental proposition.

There is but one remedy for that, in my mind, and that is the use of taxation. I could settle that question if I could write the tax laws of that State. If you made on the first unit of value a low tax rate and placed on each one of these separate 100 acres, that would be fair because the value of the land is about equal. Suppose you put a low tax on the first 100 acres provided the man lives on it and cultivates it with his own hands or under his personal supervision, and raises his family on that 100 acres. He can move to town if he pays a low tax on the 1,000 acres, but if you put a considerably increased tax on the second 100 acres, and a considerably increased tax over that on the third 100 acres you will reach a point beyond which Mr. Man, who moved to town, could not afford to pay the taxes on his 1,000 acres of land, and he will have to sell some of those 100 acres to some one who can afford to live on that land. That produces a tendency in the other direction. That is a broad proposition that is worth while.

Mr. SWEET. I realize it is, and it is really basic.

Mr. ATKESON. But it is probably unattainable.

Mr. ESCH. The committee is much obliged to you for your testimony.

(Thereupon, at 5 o'clock p. m., the committee adjourned until tomorrow, Thursday, February 6, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, February 6, 1919.

The committee met at 10.30 o'clock a. m. pursuant to adjournment on yesterday.

The CHAIRMAN. The committee will come to order.

Mr. Glasgow, Mr. Wilson has very kindly consented that you may come in and occupy this morning, and in the circumstances, if you are ready to proceed, you may begin and make your statement in your own way until you get through. As I have already said, Mr. Wilson has very kindly consented to give you the morning session, and it is

through his kindness entirely that we are able to give you this opportunity to be heard.

Mr. GLASGOW. I thank you very much.

STATEMENT OF MR. WILLIAM A. GLASGOW, JR., COUNSEL FOR THE FOOD ADMINISTRATION.

The CHAIRMAN. Mr. Glasgow, will you please state your connection for the information of the committee?

Mr. GLASGOW. My name is William A. Glasgow, jr. I was born in Virginia 53 years ago, and lived there and practiced law in Virginia, first in my own county in which I was born and then at Roanoke until 1904. In September, 1904, I went to Philadelphia to practice law and have been practicing law there since that time, until last January, 1918, when, on account of the illness of Judge Lindley, who had been counsel for the Food Administration here in Washington, I was telegraphed to come here, and came here on the 25th of January and took up the duties of counsel for the Food Administration, and have been serving in that capacity since.

I am one of those men known as dollar-a-year men, but I might say without the dollar. There is no compensation whatever being paid me, either directly or indirectly, but I can assure you that in the stress of war I was very glad to be able to perform the service.

Mr. Chairman, I have seen in the newspapers some account of the investigation being held here by your committee, and in that connection certain charges have been made as to the personnel of the Food Administration, and certain criticisms of its policy. While I have not been able to go over the evidence in detail, I did not want the matter to go unanswered before this committee. I wanted you gentlemen to have, as briefly as I can give it, a clear statement of the record of the Food Administration so far as its activities in connection with the meat industry, which has been referred to, are concerned. Exactly the same charges have been made at times in the newspapers and at times before committees of Congress.

The same charges were made by Mr. Lasater last May before a Senate committee. At that time an effort was made by me to have an opportunity accorded to Mr. Hoover to appear before the committee. I went twice myself to try to arrange it; in fact, three times, but it was not possible for me to get him called before that committee as it appeared to be inconvenient, as stated to me.

The result was that Mr. Hoover prepared a statement on Mr. Lasater's testimony given at that time, which statement he forwarded to the chairman of the Committee on Agriculture of the Senate, and asked that it be made a part of the record.

I might explain that Mr. Hoover is not in America at this time, as you gentlemen know, and you very likely know what his mission is abroad, so I desire in the first place to put his statement with reference to Mr. Lasater's evidence before the Senate committee on the record of this committee, if you will permit me to do so; and as far as I am concerned, I want to tell the committee exactly the relations of the Food Administration to the packing interests.

The CHAIRMAN. You can submit that and let it go into the hearing without stopping to read it unless you so prefer.

Mr. GLASGOW. Yes, sir.

Mr. HAMILTON. For my information, I would like to have Mr. Glasgow give the committee an epitome of the paper to be submitted. I will not call for the reading of it.

The CHAIRMAN. You may state the substance of it and then put the whole of it in the record.

Mr. GLASGOW. The statement is some four or five or six pages, or probably a little longer. I beg to state to the committee that I would hesitate to make an epitome of it myself, because it is Mr. Hoover's own statement, and he was here during the time of the organization of the Food Administration and knows of his relations to Mr. Lasater.

Mr. RAYBURN. If it is only five or six pages I would like to have it read.

The CHAIRMAN. It would probably take a little too much time, but if Mr. Glasgow does not feel like making an epitome of it, let him put it in and make his statement in regard to the whole of the affairs of the meat industry, and then we will have it put in. He is being heard through the kindness of Mr. Wilson this morning.

Mr. HAMILTON. In view of what Mr. Glasgow is going to say, I think it important that we should have this information.

Mr. GLASGOW. The reason I feel I should submit it to you is this, that this paper was filed over there with the Senate committee, and I fear that it was not fully read by the members of the committee and I think it ought to be understood here.

The CHAIRMAN. All right, Mr. Glasgow, you may read it.

Mr. GLASGOW. The statement is as follows:

STATEMENT OF THE UNITED STATES FOOD ADMINISTRATION WITH REGARD TO THE TESTIMONY OF MR. E. C. LASATER BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY.

Mr. Lasater was connected with the Food Administration for a few months, resigning on November 9, 1917. During his connection with the Food Administration he proved to have a narrow view of one trade interest with no concern for national issues, and to have little patience and little appreciation of the national and international difficulties to be surmounted in any action no matter how desirable. His demands for action on his own views, without regard to all phases of a problem, made him an impossible team worker. This attitude and an unreliable memory and assembly of facts is indicated by the office records and correspondence with regard to the incidents mentioned by him, of which the following are some examples.

Mr. Lasater quotes before the Senate committee a Chicago newspaper statement purporting to be the views of the Food Administration as to \$10 hogs, and Mr. Lasater charges it as indicating a conspiracy by Mr. Hoover to break the hog market to a point below the cost of production. To Mr. Lasater's knowledge, Dr. Durand denied making any such statement, and with Mr. Lasater's actual participation telegrams were sent out broadcast over the country by Mr. Hoover denying any intention of this sort in the strongest possible terms. Over 60 different telegrams—some over Mr. Lasater's signature—were sent out from the Food Administration.

The persistence with which this \$10 hog story was circulated in the country appeared to the Food Administrator to be a positive case of German propaganda, and the attached telegram, marked Nos. 1 and 2, are typical of those sent out by the Food Administration. Mr. Lasater's statement of this incident is therefore nothing short of misrepresentation.

Another incident is Mr. Lasater's misrepresentation in reference to the matter of arriving at some ratio of hog and corn prices. Mr. Lasater in effect stated that Mr. Hoover, after giving assurances to the producer that the Food Administration would see to it that they receive a guaranteed ratio between corn prices and hog prices, later changed his mind and failed to keep such promises.

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The possibility of arriving at such an assurance was raised originally by certain swine interests at a meeting of live-stock growers, on 5th-8th September, 1917, called by the Secretary of Agriculture. At this meeting Mr. Hoover frankly discussed the importance of the concentrated Government and allied buying in influencing the price of hogs, and asked the producers to make some suggestion for the guidance of the Food Administration. A committee of five swine growers was appointed to further consider the matter. In order to determine the growers' views, meetings of swine growers at Waterloo, Iowa, on October 3, and at Omaha on October 5, were asked to consider what recommendations could be made to the Food Administration which it could carry out, within its powers, leading toward the stimulation of production of swine in this or any other direction. Messrs. Lasater and Pinchot were asked to attend these meetings, to obtain the views of the swine growers as to the usefulness of a ratio of hog and corn prices, or other matters, as it was felt that anything of this kind must be done in cooperation with the producer.

Resolutions were passed at these meetings, which are marked Nos. 3 and 4. Among these resolutions was a recommendation of the appointment of a commission of experienced men to ascertain the cost of production, etc., and to determine the problem of ratio and in addition the expression was given that a ratio of 14 to 1 would be desirable.

Upon the return of Messrs. Lasater and Pinchot Mr. Lasater insisted that the Food Administration should announce at once a complete guarantee for swine production on the ratio of 14 bushels of corn to 100 pounds of hog at the Chicago market. Mr. Hoover informed him that no such fixed guarantee could be given without the backing of the United States Government or the allied governments, and that the announcing of a positive guarantee by the Food Administration would not be honest to the producer unless it were backed up by such financial strength of Governments, and that such a guarantee from the United States was impossible without legislative appropriation and that negotiations with the allied Governments were in progress.

In order to further advance the matter, on October 13 telegrams were sent to a subcommittee on swine of five, which had been appointed by the September meeting of live-stock men in Washington, asking them to nominate a committee to consider the whole problem of swine prices in relation to corn and to advise the Food Administration. The gentlemen were recommended and were immediately telegraphed to and asked to serve, and the committee held its meeting in Chicago on October 25, 1917, bring in a report, marked No. 5, on October 27.

By this report, marked No. 5. it will be seen that the committee said:

"The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market."

And the committee further recommended as follows:

"For the purpose of immediately stimulating production of swine for the next year we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918."

In the meantime it did not appear that it was feasible for the allied Governments to give a guarantee that would extend beyond the purchase of a definite quantity of pork products. The Food Administration was thus not able to give any positive definite guarantee to the whole of the swine producers based on this limited footing. The administration was, however, convinced, from the assurances of the volume of allied purchases, that if these were directed against the periods of maximum production some sort of minimum price could be maintained and some assurances could be given that would be of importance in the stimulation of production. Therefore, upon these assurances of volume of purchases, on Mr. Hoover's authority, Mr. Cotton issued, on November 3, a statement to the swine producers of the country stating the policy of the Food Administration in the matter above referred to (marked No. 6). This policy was founded, as closely as the powers of the Food Administration permitted, upon the report of the committee referred to.

It will be observed from this statement issued by Mr. Cotton, under the authority of Mr. Hoover, that it is stated that "the prices, so far as we can affect them, will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice." The recommendation of the committee was "a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market," and since that statement the price on the Chicago market has been

maintained—with great difficulty, however, at times—above \$15.50 per hundredweight.

It will be seen from the above that the policy first suggested at the preliminary live-stock growers' meeting of September 5-8 in Washington (and the suggestion did not come from Mr. Lasater) was carried out by the Food Administration with all of the expedition and with as much assurance as the large issues to be solved warranted, and that the partial and garbled statements made by Mr. Lasater with regard thereto sufficiently indicate not only his misrepresentations in the matter, but his impatience of any proper consideration of the issues involved.

The third typical incident misrepresented by Mr. Lasater is that of the arrangement with regard to cottonseed cake in the State of Texas. The Food Administration had been, during the months of September and October, endeavoring to secure the release of large quantities of food and feedstuffs held up by the embargo in various ports of the United States. Among these were some quantities of cottonseed cake at Texas ports. In October, owing to the drought in Texas, an acute situation with regard to feeding stuffs developed and was brought to the attention of the Food Administration—not by Mr. Lasater, but by Mr. Peden, the State food administrator of Texas. In order to give immediate relief it was finally determined to requisition, if necessary, stocks of cotton seed in Texas ports, held up by the embargo, in the names of private firms who had refused to sell the cake on the ground that it had been sold to European buyers and that they were helpless in the matter.

After instructions were prepared for Mr. Peden for requisition, complications arose, because it developed that there was a probability that the Danish Government were buyers of at least a part of the cake. We could not, therefore, proceed at once with the requisition which had been suggested until this matter was cleared up. Mr. Peden was summoned at once to Washington to discuss the situation, and it was determined to call a joint meeting of cattlemen and the cottonseed crushers at Houston on November 15 to discuss the entire question of cottonseed meal. The meal was selling at over \$70 per ton—a price out of reach of cattlemen—and the requisition of cotton seed at this price was not a satisfactory solution. The cottonseed cake lying in ports had cost the owners less than \$45 a ton. Any requisition thereof at the high figure would represent an enormous profit to Danish owners and a great loss to American cattlemen. It was determined to see if an agreement could not first be brought about between cottonseed crushers and cattlemen for a reduction in the price of cottonseed cake. The meeting in Houston was conducted by Mr. Peden, State food administrator, and a voluntary agreement arrived at by which meal generally was to be sold at about \$53 per ton. As soon as this figure was set negotiations were opened as to the embargoed cake, and the whole of the cake in port was soon liquidated at the price arranged, thus resulting in a saving of over \$15 a ton on something like 30,000 tons in the ports.

These arrangements were completed about a week after Mr. Lasater's resignation, and completed on a broad basis of great service to the cattle industry. Mr. Lasater had nothing whatever to do with either the original suggestion or the carrying out of this program.

Mr. Lasater apparently claims that a change of policy as to cottonseed requisitions in Texas embarrassed him because he had sent telegrams stating definitely that there would be a requisition. The Food Administration records show that the telegrams to which Mr. Lasater refers were never sent.

The situation required careful handling. Mr. Lasater apparently wanted to proceed with a high hand at once, regardless of consequences or the necessary legal steps, and wanted to take the credit to himself for an action which in itself was but a minor part of a constructive program.

Another type of misrepresentation by Mr. Lasater lies in the arrangements made by the Food Administration in the protection of the dairy interests in the various large cities in connection with condensed milk, etc. These are sufficiently answered by a letter addressed to the Agricultural Committee by Mr. Campbell, who is the President of the National Milk Producers' Association, a copy of which has been forwarded to the Food Administration. This letter shows the entire misrepresentation by Mr. Lasater in this connection. Mr. Lasater had no part in the milk negotiations, and consequently he is not, and never was informed in the matter. One incident in this connection, showing the entire lack of knowledge and the misrepresentation by Mr. Lasater, lies in his statement with regard to limitations placed on export

licenses in the shipment of evaporated milk, based on prices higher than the current prices of milk as determined by commissions in various localities. Mr. Lamb, who had charge of these negotiations, states that this policy was pursued in accordance with the wishes of the dairy interests as in the general interest of the dairy industry.

Mr. Lasater made some statements as to the animal shortage in Europe. Mr. Lasater has no knowledge as to the animal shortage in Europe. The information given out by the Food Administration was and is based on confidential figures supplied by various Governments, together with information as to other countries of reliable order, to which Mr. Lasater never had and never could have access.

The meat ration of 1½ pounds per week in England, one-half pound in Germany, one-fourth pound in Belgium, etc., against the normal consumption of between 2 and 3 pounds in these countries, is evidence enough that the animals do not now exist in these countries.

It is entirely possible to go over all the various details—trivial or otherwise—raised by Mr. Lasater and to show his complete lack of information and the unreliability of his conclusions.

It is deemed proper to add a word as to the four men charged by Mr. Lasater to have been associated with the Food Administration in the "packers' interest," and it may be stated at once that none of the men have ever been in the meat division and they have never had the remotest connection with the control of the packers.

Mr. Brooks was for a few months in the employ of Swift & Co., after years of association with the Atchison, Topeka & Santa Fe Railway. He was secured for a short time by his former superintendent, Mr. Chambers, to assist in the Transportation Division of the Food Administration. After Mr. Brooks's adaptability and patriotism had been proved, he was asked to disassociate himself from Swift & Co., and he did so.

Late in the autumn of 1917 the Food Administration absorbed the food activities of the Council of National Defense, and in order to maintain continuity in the work took over the staff that they employed. Amongst these gentlemen were Messrs. Heyl and Collins. Their occupation was the following up of orders placed for canned goods and their concentration for the Army and the allies and to see to the effectiveness of shipping and payment. They had no hand in purchasing or ordering of goods, all of which was in the hands of the food board, comprising representatives of the Army, Navy, Federal Trade Commission, and Food Administration. Early in the year, when the organization was fully developed (and before any suggestion of anyone as to their having been in the packers' employ), Messrs. Heyl and Collins were asked to disassociate themselves from the packers as a condition of remaining in the service of the Food Administration. Mr. Collins was unable to do so and left the Food Administration. Mr. Heyl did resign from his association with Messrs. Libby, McNeill & Libby, but subsequent to that date left the Food Administration.

The letter quoted by Mr. Lasater as addressed to Mr. Heyl from Admiral McGowan was in reply to a suggestion as to using poultry to some extent in place of red meats and was addressed at the time Mr. Heyl was a member of the Council of National Defense, long before it was even anticipated that these measures would be taken over by the Food Administration, and while the letter was attached, in quoting it he omitted this statement:

"I have every reason to think that you and your associates are doing your utmost in a patriotic and wholly unselfish manner to promote the best interests of the United States."

The other gentleman mentioned is Mr. Priebe, who is a leading egg and poultry dealer, and whose association with Swift & Co. consists solely in the fact that Swift & Co. are stockholders in one out of five companies of which Mr. Priebe was also a stockholder and officer, although he has resigned from his officership in the corporation. Mr. Priebe's occupation with the Food Administration is the interpretation of the Food Administration policies to egg and poultry trade. He has no association with the formulation of policy, but in line with the Food Administration policy and basis of organization of endeavoring to secure as much cooperation from trades as possible in the elimination of speculation and wasteful practices Mr. Priebe is employed in the stimulation of voluntary cooperation to these ends. He has no association whatever with either the purchasing of these products or with the enforcement of the law in regulation, all of which is in the hands of men with no association with the trade. He has proved

himself an able and patriotic man, and it is deemed by the Food Administration wholly impossible to secure patriotic and helpful work from the various trades in the United States unless representative men from these trades can be enlisted to carry out these policies.

No suggestion has ever been made as to the wrongdoing of any of these men, and the suggestion that some wrong attaches to them by virtue of their having been employed by the packing plants at Chicago is a monstrous attitude.

Sent to all Federal food administrators: No. 1.

[Copy.]

[Telegram.]

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C.

Chicago advices absolutely untrue. Do not represent the opinion or proposed action of Food Administration, which will take no steps to jeopardize live-stock producers' interests. All our powers will be used to keep prices at which allied and governmental purchases are made on a plane that will give an assured return of production cost and profit to producers of meat animals. In our opinion best market obtainable for present corn crop will be through live stock. We need increased production of beef and pork. Only way to secure this increase will be by maintaining a profit on production. Will appreciate your giving this wide publicity.

(Signed) HOOVER.

[Copy.]

OCTOBER 25, 1917.

WATERS,

Food Administrator, Manhattan, Kans.:

This department has repeatedly stated that it has no intention to fix the price at which the farmer sells his stock. The Food Administration does, however, have the duty of directing export purchases of beef and pork products, and we propose to use that power to stabilize the prices and to support remunerative prices to the farmer. I have appointed a committee of important hog men to advise Mr. J. P. Cotton, the head of our Meat Division, on this and other marketing matters in connection with the regulation of the packing industry. I have also asked another committee to advise us from time to time the cost of production of hogs in order that we may clearly demonstrate to the American consumer the increased cost of production and the necessity for increased prices over prewar normals. I have also asked a representative committee of cattle raisers to also sit as an advisory committee to Mr. Cotton's Meat Division in problems affecting their industry in relation to marketing and regulation of the packing industry. All of this has been conceived in an effort to protect and stimulate the live-stock industry. I wish to call your attention to certain propaganda in the country stimulated by pro-German and antiwar sources intended to discourage and mislead the live-stock grower whose increased activity is vital to our national cause. For instance, a statement that the Food Administration favors \$10 hogs has been widely circulated by insidious means in many States. We have given every publicity to the absurdity of such statement, but it seems impossible to catch up with these rumors and deliberate disturbances to the public mind. It must be obvious to any thinking men that even if we had the power to do such a thing, it would be grievously unfair to the farmer and the height of folly from the point of view of national interest. This sort of rumor is attempt to defeat other governmental activities such as the assembling of the Army and national finance. I believe these vicious attempts to destroy our national efficiency in war are responsible for the unrest of which you speak. The profits of the meat packers are to be limited and their business rigidly controlled. The limitation of profits will be announced before November 1. I believe it sound business for every farmer to increase hog production for 1918 as much as possible. I am sure that the Nation needs that increase to help win the war.

HOOVER.

WATERLOO, IOWA, October 3, 1917.

Hon. HERBERT HOOVER,

United States Food Administration:

We representative swine growers of the corn belt, in convention assembled at Waterloo, Iowa, this 3d day of October, 1917, do hereby respectfully make the following recommendations, which we consider vital to the early stimulation of pork production, so essential to the successful conduct and termination of the present war:

1. We indorse the report made by certain members of the live-stock industry committee to you on September 18, 1917, and respectfully urge that prompt consideration be given same, followed by definite action.

2. Notwithstanding the high price of hogs during the past six months, the still higher price of grains has made it unprofitable to feed corn to hogs and has caused the premature marketing of a large number of breeding sows and immature stock, thereby greatly reducing the prospective meat supply. The crop of pigs this year is at least from 10 to 20 per cent less than last year. The crop of pigs this fall is very far below normal. The unsatisfactory experience of hog growers this past season has tended to discourage an increase in the number of sows bred.

3. It is our opinion that no considerable increase in the number of hogs next year can be hoped for unless hog growers are assured that when their hogs are finished for market they will sell for enough to fully cover the cost of production and yield a fair profit—in other words, that hog prices shall meet President Wilson's definition of a just price.

4. We are informed by the Food Administration that there exists a vital necessity not merely for the maintenance of normal hog production, but for an increase of 15 per cent above the normal during the coming year. There is at present a deficit in hogs in the United States, as compared with last year, of not less than 10 per cent; the present tendency unless checked promises a further decrease of at least an equal percentage by the new year. Immediate action is therefore necessary to meet the actual decrease, check the prospective decline, and stimulate the vitally needed 15 per cent increased production. Accordingly we urge upon the Food Administration that it shall make such arrangements as will assure to the producer now called upon largely to increase his product a price sufficient to cover the cost of production and a reasonable profit, this being the one way in which this increase can be assured.

We therefore propose that the Food Administration, through an appointed commission of experienced men, shall ascertain the cost of production of hogs (which production cost shall cover the grain and other feeds consumed, labor, interest, shelter, and particularly the risk from disease and death); these costs to be measured in bushels of corn. We urge the Food Administration to establish the price of hogs, the same to be based on the Chicago market price for cash corn during the month in which it was consumed—this price to be established monthly or preferably on the weekly basis in advance at the principal market centers.

To stimulate the much-increased production appealed for we most earnestly emphasize that the equivalent value of 100 pounds average live hog in Chicago be equal to not less than the value of 14 bushels cash corn as fed during the months previous to market. This ratio is necessary and essential to secure the much-above-normal pork production so urgently asked for by the Food Administration.

Although we believe in normal times that the general law of supply and demand should rule, yet in these emergency days the results from the normal working days of such natural economic laws comes too slowly to meet the situation of scarcity of pork products. We understand that the prime reason for establishing a minimum ratio of 14 to 1 is to stimulate production at the earliest possible moment by encouraging our people to breed their swine for spring farrow. The ratio, therefore, should apply to next spring's, 1918, crop, and should be applied beginning August 1, 1918, when the crop starts coming to market at the age of 6 months and over. Therefore, we further doubly emphasize that the minimum ratio be established at once, and be given the widest possible publicity before November 1, at which time the breeding season is opened.

We believe that the only practical means of securing an increased amount of meats, particularly fats, for this winter will be for the Food Administration to put into effect a system of differentials by which a liberal premium will be

paid on finished hogs over 225 pounds in weight sufficient to cover the increased cost and risk of production of this added weight.

To command the confidence and immediate support of the swine producers, immediate, definite, and certain action is most imperative.

(Signed)

COMMITTEE ON RESOLUTIONS,

CHARLES L. MEHARRY, *Attica, Ind.*

A. SYKES, *Ida Grove, Iowa.*

C. V. GREGORY, *Chicago, Ill.*

F. E. DRURY, *Jacksonville, Ill.*

E. L. BURKE, *Omaha, Nebr.*

GORDON HAYES, *Red Oak, Iowa.*

JOHN M. EVVARD, *Ames, Iowa (chairman).*

No. 4.

SOUTH OMAHA, NEBR., October 5, 1917.

HON. HERBERT HOOVER,

United States Food Administrator,

Washington, D. C.

We, members of the National Swine Growers' Association and other swine growers, in convention assembled at South Omaha, Nebr., this 5th day of October, 1917, fully appreciate your calling on us in this national crisis for our advice and help, and we assure you of our hearty and patriotic support. We fully appreciate the imperative need of an immediate and extraordinary increase in the production of live stock in this country, especially hogs, and to that end we respectfully make the following recommendations:

First. We indorse the methods for increasing the production of hogs and cattle as recommended to you on September 18, 1917, by "certain members of the live-stock industry committee."

Second. We indorse and join in the recommendations made to you by "representative swine growers of the Corn Belt in convention assembled at Waterloo, Iowa," on October 3, 1917.

Third. In addition to your approval of the foregoing resolutions, we desire to bring particularly to your attention the necessity for fixing immediately in advance the price of hogs for short periods at all the principal live-stock markets of the country on the basis of cost of production during the entire feeding period, plus a profit which will provide the necessary stimulant for the abnormal production desired and the need for making such prices effective.

Fourth. There is grave danger that owing to the lack of definite information regarding prices for live stock, the whole campaign for increased production will prove a failure. We, therefore, can not urge too strongly the necessity for prompt action on your part, with definite assurance that remunerative prices will be paid, and we further strongly recommend that the commission appointed to fix the corn versus pounds of pork proportion shall be largely composed of practical swine men.

Mr. SANDERS. Mr. Glasgow, I have just come in. What is that statement you read there?

Mr. GLASGOW. The statement made by Mr. Hoover in reply to similar charges made by Mr. Lasater last May before the Senate Agricultural Committee.

Mr. SANDERS. And in reply to that statement Mr. Lasater made a statement which is printed in his pamphlet.

Mr. GLASGOW. Yes, sir; I think so. Mr. Hoover is not here and did not have an opportunity to come before your committee, and I desired to read his statement in regard to the matter.

The CHAIRMAN. You may now make your statement, Mr. Glasgow.

Mr. GLASGOW. There is one other man that Mr. Lasater referred to, if he is quoted properly in his statement of yesterday by the newspapers, and that man is Mr. Joseph P. Cotton. I have not had a chance to see the transcript of his evidence before the committee, but in the newspapers Mr. Lasater is quoted as saying that Mr. Cotton was a "packer lawyer."

Gentlemen of the committee, I want to say that I know Mr. Cotton and have known him for a number of years, and that Mr. Cotton had no association whatever with the packing interests, nor with any matter connected with the packing interests. He is a lawyer in New York. Mr. Hoover told me that the way he happened to secure Mr. Cotton to come here was that he was looking for a man to place at the head of the meat division who had no connection whatever with the industry. He could not take a stock man to control packers, nor a packer man to regulate the stock raisers. Finally, on the recommendation of one of the judges of the supreme court, he asked Mr. Cotton to come here and take charge of the Meat Division of the Food Administration. Mr. Cotton is a man of high character. He had no connection whatever with the packers and had no interest in connection with them, and nearly everybody I have known of who has referred to Mr. Cotton, except Mr. Lasater, has referred to him and stated that he believed Mr. Cotton to be an honest man, although sometimes I have heard them say that they did not approve of Mr. Cotton's point of view. What that means I do not know. But Mr. Cotton has no connection with the packers and stated that to me himself over and over again when these charges were being made with regard to him.

Now, Mr. Chairman and gentlemen of the committee, I want in sequence if you will permit me to just put on this record exactly the relations of the Food Administration to the packing interests. I must say, sirs, that I am getting very tired going around trying to straighten out these personal charges. I have not the slightest interest in any personal controversy which Mr. Lasater may involve himself. But when Mr. Lasater brings in things with the apparent intention to discredit Mr. Hoover and the Food Administration with which I have been connected for over a year, and where I know hundreds of men who have been rendering patriotic, quiet service, without hope of reward, because they felt that they were helping to further the interests of this country in connection with the war, I do resent the continuous effort, by innuendo and suggestion, to put forward the idea that the men who are there, without pay, are there for ulterior purposes, and controlled by some interest and trying to get an advantage. That is not true, sirs, and it is not fair.

Now, to take up the first thing in connection with this matter:

The food act was passed on the 10th of August, 1917. Immediately after the passage of that act an investigation was started as to what was the food situation in this country, and an effort was started to stimulate production of all classes of food, especially meat and grains. By memorandum issued by the Secretary of Agriculture and the Food Administrator, Mr. Hoover, a committee was appointed, composed of about 100 men from all over the country. It takes four typewritten sheets to cover the personnel of this committee, which was appointed to consider the best methods to stimulate production of food throughout this country, in order that we might have what was necessary, not only for our own protection but for the protection of our allies.

From that committee an executive committee was appointed composed, among others, of Mr. Lasater and Mr. Gifford Pinchot. That committee was appointed, as I say, for the purpose of considering the food situation and what was necessary to stimulate produc-

tion. What that committee did I do not know. The records are not very clear. They do not work in entire harmony. Difficulties arose between Mr. Pinchot and Mr. Lasater and the Food Administrator, and by the time I got here on the 25th of January, as far as I know, that committee was functus officio, and never did anything after I came.

In its place was appointed, by the President, what was known as the Agricultural Advisory Committee, composed of 24 representative farmers from all over the country. The chairman of that committee was Gov. Henry C. Stuart, whose term had just expired as governor of Virginia, and a large farmer in that State. Associated with him was a list of men, 24 in number, and he states in his testimony before the Agricultural Committee of the Senate who they were and their individual relation to agriculture, and you could not have picked out 24 better or more representative men throughout the country.

Immediately after the Food Administrator was appointed a committee was appointed to make recommendations, especially as to the hog situation. That committee was composed of Mr. John M. Evvard, chairman, Ames, Iowa; Mr. Lawrence P. Funk, Bloomington, Ill.; Mr. N. H. Gentry, Sedalia, Mo.; Mr. W. A. Williams, Marlow, Okla.; Mr. J. H. Skinner, La Fayette, Ind.; Mr. Tait Butler, Memphis, Tenn.; and Mr. E. W. Burdick, Herman, Nebr.

They were asked to make a report on the hog situation throughout the country and what ought to be done in connection therewith. After making a very exhaustive investigation with regard to it, they made a report, which I have here, and which was printed at the time, in which they say:

The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio, on the average.

The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal, the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

In other words, in the year 1917, hogs in this country were 5,000,000 below normal. I might say, too, that the records of the Agriculture Department show that the number of hogs in 1917 were 7,000,000 less than the preceding year, 1916, and 5,000,000 less than normal.

Mr. HAMILTON. Is this a report of a special committee appointed by the Stuart committee?

Mr. GLASGOW. No, sir; this is a report of a committee appointed prior to the Stuart committee. Their report is dated the 27th of October, 1917.

Continuing to quote from the report:

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

And they made this recommendation:

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market.

That report, which I desire to file with the committee, further deals somewhat in detail with the hog situation.

The CHAIRMAN. You may hand the paper to the stenographer so that he may incorporate it in the hearing.

Mr. GLASGOW. All right.

(And the said paper is as follows:)

REPORT OF COMMISSION TO INVESTIGATE THE COST OF PRODUCING HOGS.

OFFICE OF THE FOOD ADMINISTRATION,
Chicago, Ill., October 27, 1917.

HON. HERBERT C. HOOVER.

United States Food Administrator, Washington, D. C.

DEAR SIR: Your commission appointed to determine the cost of hog production in terms of bushels of corn and to advise as to what is deemed essential to encourage production, begs leave to submit the following report:

We believe that definite, stimulative action is immediately necessary if the pork supply of the Nation and the Nation's allies is to be sufficient to meet demands.

There is a marked feeling of uncertainty evident on the part of the producer. This is manifest in the large number of unfinished hogs now going to market. There is a big tendency to market potential breeding stock—breeding stock that is essential to further increase. The feeling of unrest and uncertainty on the part of the producer is greatly accentuated by the recent marked drop in the price of live hogs. First, and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit.

In all of our deliberations we have borne steadfastly in mind the world-wide problems of supplying ourselves and our allies with meats and fats, and particularly have we kept uppermost in our thought the consumer. The consumer's and the producer's interests in these United States rest on a common foundation of laws, customs, economic relationships and social life.

PRODUCERS OPPOSED TO PROFITEERING.

We believe that the sentiment of the swine producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our President's definition of a just price.

We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers, and consumers.

CORN RATIO TO HOG FEEDING.

The commission finds that the approximate, equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the

losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal, the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

MINIMUM PRICE FOR IMMEDIATE FUTURE.

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918. Steps should also be taken to prevent, as far as possible, any large or sudden change in prices when they go from the minimum basis to the ratio basis. This minimum price should also apply to other markets and to other classes of market hogs with the usual or normal differential.

We recommend that the question of price range between the various market classes and grades of hogs should be determined by a suitable committee of representative packers, live-stock commission men, and representatives of this commission, the same to be appointed by Mr. Hoover.

A correct price of hogs can not be determined by using the basic corn value of the month in which this hog is marketed. This method is economically unsound and unjust because the feed which is chargeable to this hog was consumed during the previous months.

To establish the market value of 100 pounds of average hog, in terms of corn, a weighted average of the corn consumed by the hog or its antecedents during the period of 12 months previous to marketing must be taken into consideration. The determined approximate percentage of corn consumed for the period of 12 months of the market hog and its mother is distributed approximately as follows:

	Per cent.		Per cent.
First month.....	2	Eighth month.....	9
Second month.....	2	Ninth month.....	15
Third month.....	2	Tenth month.....	20
Fourth month.....	3	Eleventh month.....	17
Fifth month.....	4	Twelfth month.....	15
Sixth month.....	6		
Seventh month.....	5	Total.....	100

In determining a ratio we believe it is essential that this ratio should be varied by months in accordance with the historical differentials between the respective months as in normal times, so as not to throw our ordinary marketing, distributing, and producing practices out of line. Our normal monthly historical ratios from December to April gradually increase. Thus indirectly they put a premium on the holding of the previous spring farrowed hogs to later markets, and in this manner act as differentials in favor of feeding these hogs to heavier weights. If a definite ratio of 13.3 be established, that ratio shall therefore be the average of all of the months within the year and thus necessarily not be constant throughout the entire period.

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We have therefore rearranged the average ratio, by months, according to the following recommended tabulated presentation:

TABLE I.—Average ratios arranged on the differential monthly basis.

Month.	Average ratio of 11.67 ¹ (Weighted average based on 10 years, 1907-1916, inclusive).	Average ratio of 12. ²	Average ratio of 13.3. ³	Average ratio of 14.3. ⁴
January.....	11.0	11.3	12.5	13.5
February.....	11.6	11.9	13.2	14.2
March.....	12.4	12.8	14.1	15.2
April.....	12.7	13.1	14.5	15.6
May.....	12.3	12.7	14.0	15.1
June.....	12.1	12.4	13.8	14.8
July.....	12.0	12.3	13.7	14.7
August.....	11.8	12.1	13.5	14.5
September.....	11.8	12.1	13.5	14.5
October.....	11.3	11.6	12.9	13.9
November.....	10.6	10.9	12.1	13.0
December.....	10.4	10.7	11.9	12.7
Average.....	11.67	11.99	13.31	14.31

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

² This ratio represents approximate production cost.

³ Represents ratio necessary to bring production back to normal.

⁴ Represents ratio necessary to increase production 15 per cent above normal.

CHICAGO BASIC MARKET FOR PRICES.

Chicago is a basic market for corn and hogs. Therefore, we recommend that Chicago be used as the basis in any price stabilization and that adjustments of differentials, which may be found necessary in order to prevent any injustice against any section or market, be made by the Food Administration.

The present ratio, figured on a weighted average for late October, 1917, shows that on the basis of Chicago No. 2 corn and Chicago average hogs, that 100 pounds of average hog is selling for the low value of practically 8.8 bushels of corn; and at this time 100 pounds of average hog is selling for the current equivalent value of only 7.4 bushels of corn. It is easy to see and fully comprehend why there has been a marked decrease in production and why thousands of light, immature and unfinished hogs have been or are being rushed to market.

In the periods of heavy loss, the future production of the industry is threatened. Swine men can not persistently stay in a losing game even though they are intensely patriotic. They have taxes to pay and mouths to feed, and can not be, financially speaking, good citizens in this terrible and costly war if they are engaged in a losing business.

Conditions that existed during Civil War times are particularly suggestive as regards what happens to the corn and hog ratio. The figures for the years covering 1861 to 1866 are particularly interesting in that they give us historical precedent which may be of immense value in formulating methods of stimulation and regulation in the present conflict. The ratio between corn and hogs, as well as the approximate price for corn, therefore is presented herewith for your consideration.

TABLE II.—Civil War ratios and corn prices.
[Figured on current monthly values.]

Date.	Explanatory statements.	Ratio.		Price of corn per bushel.
		Bushels.		Cents.
January, 1861.....	Profit period before war started.....	17.7		28.8
April, 1861.....	War begins.....	15.1		30.1
July, 1861.....	Conditions apparently normal as yet.....	11.7		22.9
October, 1861.....	do.....	13.1		22.0
January, 1862.....	do.....	10.4		22.6
April, 1862.....	do.....	11.1		26.2
July, 1862.....	do.....	9.1		28.1
October, 1862.....	Period of decline begins.....	8.6		33.8
January, 1863.....		7.7		46.6
April, 1863.....		9.0		47.3
July, 1863.....		8.9		48.1
October, 1863.....	Hogs noticeably lag behind corn.....	5.2		79.3
January, 1864.....		7.1		82.4
February, 1864.....	Period of depression; war in full blast.....	7.1		89.1
March, 1864.....	do.....	8.3		79.1
April, 1864.....	do.....	7.7		12.0
May, 1864.....	do.....	6.2		104.4
June, 1864.....	do.....	6.3		114.7
July, 1864.....	do.....	6.6		129.6
August, 1864.....	do.....	8.9		100.5
September, 1864.....	do.....	7.3		130.3
October, 1864.....	do.....	6.9		124.7
November, 1864.....	do.....	7.2		135.6
December, 1864.....	do.....	10.4		98.6
January, 1865.....	Stimulation becomes evident in spite high-price corn.....	12.4		90.0
February, 1865.....		12.8		88.1
March, 1865.....		14.2		78.6
April, 1865.....	The war ends.....	15.1		62.9
May, 1865.....	Following peace, stimulation becomes marked again.....	14.0		53.8
June, 1865.....		14.9		52.4
July, 1865.....		16.4		56.3
August, 1865.....		16.0		67.4
September, 1865.....		19.5		60.0
October, 1865.....		24.8		49.2
November, 1865.....		21.2		52.5
December, 1865.....		21.6		42.0
January, 1866.....		24.9		37.3
February, 1866.....	Stimulative ratios prevail.....	26.6		35.4
March, 1866.....	do.....	25.2		37.3
April, 1866.....	do.....	20.3		42.1
May, 1866.....	do.....	18.2		17.9
June, 1866.....	do.....	17.6		51.0

That these conditions are somewhat approximated by the conditions existing during the past year is evident from the figures given below, from November, 1916, to October, 1917, same being figured on the monthly basis, as are the Civil War ratios:

TABLE III.—World war ratios.
[Figured on current monthly values.]

Date.	Explanatory statements.	Ratio.		Price of corn per bushel.
		Bushels.		Cents.
November, 1916.....	War has been in progress a little over 2 years; conditions fair.....	9.7		102.0
December, 1916.....		10.9		92.0
January, 1917.....	Ratios practically normal.....	11.1 (12.2)		99.0
February, 1917.....		12.4 (13.4)		100.8
March, 1917.....		13.3		111.8
April, 1917.....		10.9		144.9
May, 1917.....		9.7		163.9
June, 1917.....		9.2		170.7
July, 1917.....		7.6		200.0
August, 1917.....		8.6		197.2
September, 1917.....		8.8		208.6
October, 1917.....		8.7		198.0

The decrease in production coincides fairly well with the decrease in the ratio, so that at the present time, October, 1917, we are in a period of marked depression, depression that is reflected all the more inasmuch as it is the breeding season—the vital season of the year from the production standpoint. We believe that stimulation for the present, through the establishment of fair ratios, will tend largely to avoid the extreme stimulative ratios which are apparently bound to come later if hands are kept off and the ordinary laws of supply and demand are allowed to rule. It is better for the producer, the consumer, the Government, and the allies that these ratios be kept somewhat in normal line and, therefore, regulation and the present stimulation by the Food Administration is of paramount importance.

It is the emphatic opinion of this commission that, to secure increased production under present abnormal conditions, definite assurance of a fair price for hogs should be given to producers by the Food Administration and that the widest possible publicity be given to whatever action is taken with reference to the hog situation. And, further, it is also suggested that this information be furnished as soon as possible to the live-stock exchanges, the State councils of defense, the State food committees, the administrative officers of the State and Federal Departments of Agriculture, the various agricultural colleges, the county agricultural agents, and to the general and the agricultural press.

Very respectfully submitted.

JOHN M. EVVARD, *Chairman, Ames, Iowa.*

LAWRENCE P FUNK, *Bloomington, Ill.*

N. H. GENTRY, *Sedalia, Mo.*

W. A. WILLIAMS, *Marlow, Okla.*

J. H. SKINNER, *La Fayette, Ind.*

TAFT BUTLER, *Memphis, Tenn.*

E. W. BURDIE, *Herman, Nebr.*

Mr. GLASGOW. That report was made on the 27th of October, as I have said, and the men who made it were representative men of—

Mr. SANDERS (interposing). Not to interrupt you, but I would like to ask if that recommendation was carried out?

Mr. GLASGOW. I am going to refer to that and tell you exactly what we did on it. We were tremendously interested, Gov. Sanders, in stimulating the number of hogs in this country, and we were interested that the farmers who went into that cooperation for the stimulation in the production of a greater number of hogs should, as far as we possibly could direct it, have a fair price for the hogs, and this committee stated it ought to be based upon the price of corn, and recommended an "emergency" price of \$16 per 100 pounds.

Now, Mr. Cotton, who was the head of the meat division, issued a statement on the 3d of November, 1917, which was a statement based upon the preceding recommendation of the committee:

UNITED STATES FOOD ADMINISTRATION,

MEAT DIVISION,

Chicago, November 3, 1917.

Joseph P. Cotton, chief of the United States Food Administration's meat division, to-day issued the following statement relative to the prices of hogs:

The main purpose of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs so that it will be profitable to him, to see that the farmer increases the number of hogs bred, to limit the profit of the packer and the middleman, and to eliminate speculation.

All of these purposes are necessary, because we must have more hogs so that the ultimate consumer shall at all times get an adequate supply of hogs at the lowest feasible price.

We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the allies, our Army and Navy, the Red Cross, the Belgian relief, and the neutrals, which together constitute a considerable factor in the market.

The first step is to stop the sudden break in prices paid for hogs at the central markets. These prices must become stable, so that the farmer knows where he stands and will feel justified in increasing hogs for next winter. The prices so far as we can affect them will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice.

We have had, and shall have, the advice of a board composed of practical hog growers and experts. That board advises that the best yardstick to measure the cost of production of the hog is the cost of corn. That board further advises that the ratio of corn price to hog price on the average over a series of years has been about 12 to 1 (or a little less). In the past, when the ratio has gone lower than 12 to 1, the stock of hogs in the country has decreased. When it was higher than 12, the hogs have increased. That board has given its judgment that to bring the stock of hogs back to normal under present conditions the ratio should be about 13. Therefore, as to the hogs farrowed next spring, we will try to stabilize the price so that the farmer can count on getting for each 100 pounds of hog ready for market 13 times the average cost per bushel of corn fed into the hogs.

Let there be no misunderstanding of this statement. It is not a guarantee backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration which means to do justice to the farmer.

Mr. GLASGOW. That was our reply to the committee, Mr. Cotton's reply.

Now, gentlemen of the committee, since that time, and we have had difficulties all along, but since that time the price of hogs per hundred pounds on the Chicago market has never been below \$15.50. That price has been maintained and maintained entirely by the power that we had to direct the line of orders from Europe, to direct and use them to maintain the price which had been assured to the farmer.

At time, last August, I think it was, the price got as high as \$20 a hundred pounds, which was deemed undesirable, and with the consent of the producers themselves an effort was made to reduce that price, and it was reduced to somewhere in the neighborhood of \$17 or \$18 a hundred pounds.

Now, Mr. Chairman and gentlemen of the committee, that was the situation, and this advisory committee which I referred to, headed by Gov. Stuart, had a live-stock subcommittee, and we have been in conference either with the full committee or with that subcommittee all along. And all during the spring of 1918 and the summer of 1918 the price was maintained according to this assurance above \$15.50 a hundred pounds, and the committee had suggested a price of \$16 per hundred pounds as an "emergency price."

Now, Mr. Chairman and gentlemen of the committee, when it came to the regulation of the packers, the Food Administration, under Mr. Cotton's management, adopted rules and regulations governing the packing interests. The act under which the Food Administration was created defined, in its first section, what should constitute "necessaries"—foods, feeds, etc. I need not refer to fuel, although it was included, but I will refer to feeds and food.

When we came to consider the packers' business, we found they were engaged in a very extensive business, a large part of which was clearly within the definition of "necessaries," as to which we were given authority and jurisdiction. Another class was in what you might call the twilight zone, not being clearly within nor being clearly without our jurisdiction. The third class was entirely outside the

provision of the act under which the Food Administration was created.

So we had to divide the packers' business into three classes. The first one, as to which we clearly had authority to regulate and which we had no doubt about our jurisdiction over; and, second, matters about which we were not so clear; and, third, matters as to which we were perfectly clear that we had no jurisdiction over at all. In the third class would fall the packers' business in Argentina, and such as their business in phosphate, and such as their banking business; over such we had no authority whatever.

As to the first class, it was determined that the packers should not make as profits a greater amount than 9 per cent upon the investment in that class of business. That as to the other business, the second class, in which the capital was less and for reasons I need not go into, the profits were limited to a maximum of 15 per cent. As to the third class of business, we could not and did not make any rule as to a limitation of the profits.

Afterwards it became clear to us—and I may add, sirs, that under the direction of the President the Federal Trade Commission was required to audit the books of the packers to see whether they were within the limit of profits that we allowed. Afterwards it became apparent that confusion was produced by having these three classes—in the transfers of investments, etc. Therefore, we made amended rules, the principal change being to create two classes instead of three—one of business which we could control, and the other covering business that we could not control, with the application of the 9 per cent profit maximum to the one class and no regulation of profits at all on the other. And those rules were made to date back to November 1, 1917, under the right that we had, and took the place of the original rules.

I now desire to file as a part of my statement a copy of the original rules, as well as a copy of the amended rules, to which I have referred.

The CHAIRMAN. You may hand them to the stenographer and he will include them in the report.

(The said rules, both original and as amended, as produced by the witness, are as follows:)

[United States, Food Administration, Meat Division. Rules and regulations, relating to the profits of slaughtering and meat-packing concerns.]

I. RULES FOR LICENSEES WITH ANNUAL SALES EXCEEDING \$100,000,000.

ARTICLE I. LICENSEES SUBJECT TO THESE RULES AND REGULATIONS.

SECTION 1. To whom rules are applicable.—Every person or corporation shall be subject to these rules and regulations who is required to procure a license for the conduct of his business by the proclamation of the President of the United States, dated October 8, 1917, and who shall be engaged in the slaughtering of live stock and the manufacture of products therefrom, and whose aggregate sales during the 12 months ending November 1, 1917, exceeded \$100,000,000. These rules shall take effect as of November 1, 1917.

SEC. 2. Amendments.—The Chief of the Meat Division reserves authority, by general regulation, or by special regulation addressed to particular concerns, to change the rules and rates of profit hereby established and to establish other rules and methods on such notice and in such manner as he shall deem reasonable and fair.

SEC. 3. Applications by licensees.—If any licensee desires an interpretation of any matter in these rules, or any exception or special ruling relating to his

business, he shall make written application therefor to the Chief of the Meat Division, stating fully the facts and the reasons for such application, and licensee shall take no action in such matter without the written authority of said chief.

SEC. 4. *Methods.*—Each licensee is forbidden to make any change in his method of doing business designed to effect or which shall effect, or to adopt any business practice designed to effect or which shall effect, a rate of profit beyond the limit fixed under these rules.

ARTICLE II. REGULATION OF PROFITS.

SECTION 1. *Classes of business.*—For the purposes of this article the business, investments, income and profits of licensee shall be divided into three classes as defined below.

In said definitions the term "business" shall be deemed to include production, slaughtering, manufacturing, preparation, preservation, distribution, transportation, and dealing, and the term "live stock" shall be deemed to mean cattle, calves, swine, sheep, lambs, goats, and kids.

(1) Class 1 shall include: (a) The slaughtering of live stock; (b) business in meats derived from slaughtered live stock; (c) business in any other food product in which the value of materials derived from slaughtered live stock constitutes one-fourth or more of the total value of materials; (d) business in inedible by-products of slaughtered live stock which have not been elaborated beyond the stage or condition in which it is common for concerns in the slaughtering and meat packing industry to sell such by-products in large quantities to persons or concerns not engaged in that industry, including specifically among others business in hides, wool, and goat hair, whether derived from slaughtered live stock or otherwise; (e) business in ice and refrigeration; (f) the operation of refrigerator cars and other railroad cars used primarily for transporting products of class 1; (g) any other business incidental to business of class 1.

(2) Class 2 shall include: (a) Business in any product which contains no material derived from slaughtered live stock or only insignificant quantities of such material; (b) business in any food product in which less than one-fourth of the value of materials consists of the value of materials derived from slaughtered live stock; (c) business in inedible by-products of slaughtered live stock elaborated beyond the stage or condition specified in paragraph 1, clause d, including specifically, among others, business in soaps and other cleansing materials, glue, gelatin, glycerin, ammonia, sandpaper, curled hair, gut string, pharmaceutical preparations, leather, commercial fertilizer, products made by the cutting, shaping, or polishing of horn or bone, and products in which the products listed in this clause constitute the principal materials; (d) business in packages, labels, and advertising material for use in connection with business falling under class 1 or class 2; (e) the operation of cars used primarily for transporting products of class 2; (f) any business not specifically falling in class 1 or class 3.

(3) Class 3 shall include: (a) The raising, feeding, and fattening of live stock; (b) The slaughtering of live stock and the manufacture of any product in any foreign country, but the sale in any foreign country of products manufactured in the United States shall not be deemed to fall under class 3; (c) the operation of stockyards or of banks or of loan agencies or institutions; (d) dealing in options or future contracts on any board of trade or exchange; (e) any business which has nothing to do directly with food or with products of slaughtered live stock, or with any of the products or business falling under classes 1 and 2, or which does not make use of the distribution and transportation facilities of class 1; (f) investments in and income from any corporation or concern specified in section 6, unless otherwise directed by the Chief of the Meat Division; (g) any business which may hereafter be withdrawn from class 2 by authority of the Chief of the Meat Division.

(4) The Chief of the Meat Division will, from time to time, determine any question which may arise as to the proper classification of any given business not explicitly described in this section.

SEC. 2. *Departments to be treated as units.*—Unless or until otherwise authorized or directed by the Chief of the Meat Division, licensee shall continue to maintain the departments or divisions of his business which he maintained prior to November 1, 1917, and to handle each class of business, materials, or products within the department in which he was then handling it. In case any one department shall include business falling under two or more classes, the total

business of such department shall be treated as falling within one class, to be determined by the said chief.

SEC. 3. *Ratio of profit to investment.*—Licensee shall so conduct his business that the annual profit of business of class 1 shall not exceed 9 per cent of the investment therein, as hereinafter defined, and that the annual profit of business of class 2 shall not exceed 15 per cent of the investment therein, as hereinafter defined; no limitation being placed upon the profit of business of class 3: *Provided, however,* That in no case shall the profit on business of class 1 exceed the limitation based on sales provided for packing concerns having sales of less than \$100,000,000 per year. The limitation of profit in the one class of business is independent of the limitation of profit in the other, and no deficiency in the profit of business of one class shall be made up by so conducting the other as to obtain an excess of profit above the limitation specified.

In case any business is transferred from class 2 to class 3 by authority of the Chief of the Meat Division, such transfer shall, with respect to limitation of profits, operate retroactively for such time as the said chief shall determine that a fair and correct segregation of the profits thereof from the profits of other business of licensee has been made.

SEC. 4. *Profits of separate departments, plants, etc.*—The limitation specified in section 3 shall apply to the aggregate business of licensee in the respective classes, and said ratios of profits to investment need not necessarily be maintained with respect to the business in any particular department, class of materials or products, plant or locality: *Provided,* That licensee shall not in fixing the price at which he shall buy or sell or in determining the profit he shall obtain discriminate as between different departments, kinds of live stock, classes of materials or products, plants, localities, corporations, firms, or persons to the injury of any competitor or of any live-stock producer or the public, nor shall licensee pursue any practice in the conduct of his business which shall be unjust to competitors, producers of live stock, or the public; and provided, that licensee shall correctly segregate the investment and the profits of each branch or department of his business, and, in doing so shall be subject to the same rules as are hereinafter provided with respect to segregation between the three classes of business distinguished in section 1.

SEC. 5. *Certain corporations to be treated as departments.*—For the purposes of section 3 any corporation in which licensee holds stock and which he during the 12 months preceding November 1, 1917, treated as a department of his own general business or concern, or the investment and profits of which or a proportion thereof, were during said period taken up and treated as part of the investment and profits of licensee's general business or concern, shall hereafter continue to be so treated.

For the purposes of section 3 any corporation whose entire capital stock (directors' qualifying shares not being regarded) is held by licensee shall be treated as a department of licensee's general business or concern and its total investment and profits shall be included, without duplication, with those of such general business or concern; and licensee shall not for the purpose of evading the limitation of his profits transfer stock that he may hold in any such corporation or otherwise divest himself of the ownership of its entire capital stock.

SEC. 6. *Income from other corporations.*—In computing profits for the purposes of section 3, there shall be excluded investments of licensee in, or loans by licensee to, any corporation or concern not falling under the provisions of section 5, and profits, dividends, interest or other income received by licensee from any such corporation or concern, provided, that the Chief of the Meat Division may, in his discretion, require licensee to treat as part of the investment and profits of his own business or concern a proper proportion of the investment and profits of any such corporation or concern in which licensee is directly or indirectly interested.

SEC. 7. *Investment—How computed.*—(1) In computing his investment in business of classes 1 and 2 for the purpose of the limitation of section 3, licensee shall include only investment owned by licensee and actually and necessarily used in said business, and shall include the following items, at their true and correct amount, free from all duplication, and no other: (a) The actual investment in land, buildings, machinery and equipment, less whatever depreciation thereof may have been written off by licensee; (b) the value of stocks of animals, materials, or goods held by licensee; (c) the amount of cash on hand and of current trade accounts receivable, less current trade accounts payable, unless such accounts payable are interest bearing; (d) any other

class of assets whose inclusion may be authorized by the Chief of the Meat Division.

(2) Unless otherwise authorized or directed by the Chief of the Meat Division, licensee shall calculate the value of the several items specified in paragraph (1) according to the same methods and principles as were used by him during the year preceding November 1, 1917,

(3) The aggregate amount treated by licensee as the investment in business of classes 1 and 2 shall in no case exceed the amount of the capital stock, bonds, bills payable, interest-bearing accounts payable, and surplus and undivided profits of licensee's total business (including, without duplication, the same items for subsidiary corporations treated as part of licensee's business under sections 5 and 6), less his investment properly falling under class 3.

(4) The investment for any given 12-month period shall be taken as the average for the period, and unless otherwise directed by the Chief of the Meat Division said average shall be computed from the amounts of the several items of investment at the beginning and end of each of the several accounting periods as defined in section 10.

(5) The investment shall be separately calculated for each class of business, and licensee shall not for the purpose of increasing his aggregate profit adopt any method or device by which any part of the investment properly attributable to business of one class shall be treated as investment in business of another class.

(6) So far as any form of investment is used jointly in the conduct of business of more than one class, the amount of such investment shall be apportioned among those classes on a fair and just basis; provided that, unless otherwise expressly authorized or directed by the Chief of the Meat Division, the basis or principle of apportionment shall continue to be that used by licensee during the year preceding November 1, 1917.

SEC. 8. Profits—how computed.—In computing his profits on business of class 1 and class 2 for the purpose of section 3, licensee shall observe the following regulations:

(1) Existing methods to be continued: Except as expressly provided in this section, or as hereafter expressly authorized or directed by the Chief of the Meat Division, licensee shall continue to compute the profits of his business and of the several departments thereof in accordance with the same methods and principles as he shall have employed during the 12-month period preceding November 1, 1917; and he shall not adopt any method or device which will conceal or understate the full and true profit thereof, or which will divert the profit properly accruing to licensee to any other person or corporation, or which will divert the profit properly attributable to business of one class to business of another class.

(2) Interest: No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable, or any other interest, for payments or accruals of dividends on any class of capital stock of licensee or for provisions for sinking funds, nor shall any such payments, accruals, or provisions be charged to operating expenses; provided, that any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon.

(3) Federal taxes: Provisions for or payments or accruals of Federal income, corporation, or excess-profits taxes shall not be deducted from profits or charged to operating expenses.

(4) Transfer values: Any material or product transferred by licensee from any department falling under one of the classes distinguished in section 1 to a department falling under another class, or any material or product sold by licensee to or purchased by licensee from any corporation or concern in which licensee is directly or indirectly interested, shall be valued in the accounts at its true and fair market price or market value. Such price or value shall be taken as of the date of the actual physical transfer or delivery, and the time of such transfer or delivery shall continue to be fixed in accordance with the practice of licensee in the year preceding November 1, 1917, unless otherwise authorized or directed by the Chief of the Meat Division. This same rule shall, unless otherwise authorized by the Chief of the Meat Division, be observed in respect to materials transferred from any department to any other department.

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(5) Depreciation: Reasonable provision for depreciation of buildings, machinery, and equipment may be deducted, but such provision shall not, except with express approval of the Chief of the Meat Division, exceed the normal and customary provision therefor heretofore made by licensee, and the Chief of the Meat Division reserves the right to reduce any such provision which he deems excessive.

(6) Repairs and maintenance: Only reasonable expenditures for repairs; renewals, and maintenance of buildings, machinery, and equipment may be charged to operating expenses, and in no case shall additions to or improvements of such property which increase its permanent capital value be charged to operating expenses, unless by express authorization of the Chief of the Meat Division.

(7) Depreciation of inventories: No provision or reserve for subsequent actual or possible depreciation in the value of inventories shall be deducted from the profits of any given accounting period, except as expressly authorized by the Chief of the Meat Division.

(8) Extraordinary provisions and losses generally: No extraordinary or abnormal provision, reserve, expenditure or loss of any kind, not properly attributable to the business of a given accounting period, shall be deducted from the profits or charged to the operating expense of such period without the express approval of the Chief of the Meat Division.

(9) Inventories: In valuing inventories licensee shall, unless otherwise expressly authorized by the Chief of the Meat Division, value them on the basis of market prices, and the true, fair, and full market price or market value at the close of the accounting period shall in all cases be used.

(10) Overhead expenses: Administrative and general expenses not directly attributable to business of any particular class shall be apportioned on a fair and just basis as among business of the three classes distinguished in section 1, and unless otherwise authorized or directed by the Chief of the Meat Division the basis or principle of such apportionment shall continue to be that used by licensee during the year preceding November 1, 1917. This same rule shall be observed as among departments.

(11) Salaries: No unreasonably large or excessive salary or other compensation or bonus paid to any officer, director, stockholder, firm member, or proprietor of licensee shall be treated as part of operating expenses.

SEC. 9. *Relation of profits to sales.*—For the purpose of determining the ratio of profits to sales, under the proviso of section 3, licensee shall observe the methods of calculating sales and profits provided in Article II of the rules and regulations for packing concerns having annual sales of less than \$100,000,000.

SEC. 10. *Profits by periods.*—Licensee shall close his books and determine his investment, sales, and profits at least as often as once in 10 weeks, and at least six times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing time of the books shall be called an accounting period.

The ratio of profits to investment specified in section 3 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the profits of the first half of the 12-month period ending on or about November 1 of each year shall not exceed the said limitation by more than one-third and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

ARTICLE III.—REPORTS AND EXAMINATIONS OF ACCOUNTS.

SECTION 1. *Reports.*—Every licensee subject to these regulations shall, within 30 days after the close of each of its accounting periods as defined in Article II, section 10 furnish to the Chief of the Meat Division reports of his business in accordance with such blanks and forms as shall be prescribed by said chief; and such reports shall include such information as said chief shall require regarding the entire business of licensee whether subject to the limitation of Article II, section 3, or otherwise.

SEC. 2. *Transcripts of accounts.*—Every licensee shall, where so required by the Chief of the Meat Division, continue to keep and maintain any given form of accounts or records of his business, which he shall heretofore have kept, and shall furnish copies of such accounts or records to the Chief of the Meat Division.

SEC. 3. *Access to books.*—Licensee shall at any reasonable time give to any duly authorized representative of the Meat Division access to any or all books,

records, accounts, or memoranda of his business, for the purpose of verifying the reports of such licensee or for the purpose of securing any information desired by the Chief of the Meat Division.

SEC. 4. Report of stockholdings.—Licensee shall, not later than December 20, 1917, report to the Chief of the Meat Division all holdings of such licensee in the stocks, bonds, or notes of other corporations or concerns, and shall thereafter report any acquisition of such securities or changes in his holdings thereof.

SEC. 5. Access to books of subsidiary corporations.—Licensee shall cause every corporation, whatever the nature of its business, in which he holds half or more of the capital stock, to report from time to time to the Chief of the Meat Division such data regarding its business as said chief shall require and shall cause every such corporation to give the same access to its books, records, and accounts as is required of licensee under Article III, section 3.

Special rules as to inventory reserve, 1917-18.—Any licensee may accumulate an inventory depreciation reserve under the following regulations:

(1) Such reserve shall be based only on the inventory of pickled, salted, smoked, cured, canned, and frozen meat, and lard, and of such meats in process of pickling, salting, smoking, and curing.

(2) It shall be calculated only on the excess of such inventory over the corresponding inventory at November 1, 1917, or the close of the accounting period ending nearest to that date, but it need not be reduced by reason of any reduction in inventory taking place before July 1, 1918, or the end of the accounting period next preceding or ending not more than 10 days after that date.

(3) It shall not exceed 2 cents per pound of such excess.

(4) It shall not continue to be accumulated on any further increase of inventory after the date last above mentioned.

(5) If up to said date, licensee shall in his business of class 1 have made less than the rate of profit specified in Article II, section 3, the deficiency may, at said date, be deducted from the said inventory reserve.

(6) The entire balance of said inventory reserve at said date shall be carried to the profit of business of class 1, and licensee shall so conduct his business that the profit, including reserve thus restored to profit, on the entire business of class 1, shall, for the year ending on or about November 1, 1918, taken as a whole, not exceed the limit specified in Article II, section 3.

II. RULES FOR LICENSEES WITH ANNUAL SALES OF LESS THAN \$100,000,000.

ARTICLE I.—LICENSEE SUBJECT TO THESE RULES AND REGULATIONS.

SECTION 1. To whom rules are applicable.—Every person or corporation shall be subject to these rules and regulations who is required to procure a license for the conduct of his business by the proclamation of the President of the United States, dated October 8, 1917, and who shall be engaged in the slaughtering of live stock and the manufacturing of products therefrom, and whose aggregate sales during the 12 months ending November 1, 1917, did not exceed \$100,000,000. These rules shall take effect as of November 1, 1917.

SEC. 2. Amendments.—The Chief of the Meat Division reserves authority, by general regulation, or by special regulation addressed to particular concerns, to change the rules and rates of profit hereby established and to establish other rules and methods on such notice and in such manner as he shall deem reasonable and fair.

SEC. 3. Applications by licensee.—If any licensee desires an interpretation of any matter in these rules, or any exception or special ruling relating to his business, he shall make written application therefor to the Chief of the Meat Division, stating fully the facts and the reasons for such application, and licensee shall take no action in such matter without the written authority of said chief.

SEC. 4. Methods.—Each licensee is forbidden to make any change in his method of doing business designed to effect or which shall effect, or to adopt any business practice designed to effect or which shall effect, a rate of profit in excess of the limit under these rules.

ARTICLE II.—REGULATION OF PROFITS.

SECTION 1. Ratio or profits to sales.—Licensee shall so conduct his business that the profit thereof, or of that part thereof not expressly excluded from this limitation, shall not exceed 2½ per cent of the gross value of sales.

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SEC. 2. *Profits of separate branches.*—The limitation specified in section 1 shall apply to the aggregate business of licensee subject thereto. Said ratio of profits to sales need not necessarily be maintained with respect to the business in any particular department, class of materials or products, plant or locality; provided, that licensee shall not in fixing the price at which he shall buy or sell or in determining the profit he shall obtain discriminate as between different departments, kinds of live stock, classes of materials or products, plants, localities, corporations, firms, or persons to the injury of any competitor or of any live-stock producer or the public, nor shall licensee pursue any practice in the conduct of his business which shall be unjust to competitors, producers of live stock, or the public.

SEC. 3. *Certain corporations to be treated as departments.*—For the purposes of section 1 any corporation in which licensee holds stock and which he during the 12 months preceding November 1, 1917, treated as a department of his own general business or concern, or the sales and profits of which, or a proportion thereof, were during said period taken up and treated as part of the sales and profits of licensee's general business or concern, shall hereafter continue to be so treated.

For the purposes of section 1 any corporation whose entire capital stock (directors' qualifying shares not being regarded) is held by licensee shall be treated as a department of licensee's general business or concern and its total sales and profits shall be included, without duplication, with those of such general business or concern; and licensee shall not for the purpose of evading the limitation of his profits transfer stock that he may hold in any such corporation or otherwise divest himself of the ownership of its entire capital stock.

SEC. 4. *Income from other corporations.*—In computing profits for the purpose of section 1, there shall be excluded sales and profits of, and interest or other income received by licensee from, any corporation or concern not falling under the provisions of section 3; provided, that the Chief of the Meat Division may, in his discretion, require licensee to treat as part of the sales and profits of his own business or concern a proper proportion of the sales and profits of any such corporation or concern in which licensee is directly or indirectly interested.

SEC. 5. *Certain departments and income excluded.*—In computing the sales and profits of licensee for the purpose of section 1, there shall be excluded sales and profits of, or income from, any of the following kinds of business: (a) The slaughtering of live stock and the manufacture of any product in any foreign country, but the sales in any foreign country or products manufactured in the United States shall not be so excluded; (b) the operation of stockyards or of banks or of loan agencies or institutions; (c) dealing in options or future contracts on any board of trade or exchange; (d) the operation of any retail store or market if wholly separate in its accounts and conduct from any packing plant or wholesale marketing agency; (e) any business which has nothing to do with live stock, food, or products of slaughtered live stock; (f) the raising, fattening, or feeding of live stock.

SEC. 6. *Method of computing sales.*—In determining the value of sales for the purpose of section 1, the value of each sale shall be taken at the gross amount actually received by licensee for the goods sold, from the actual and ultimate customer or purchaser.

In case any department or departments of licensee's business shall be excluded under the provisions of section 5, the value of sales shall be taken to include the value of products transferred from other departments of licensee's business to such department or departments excluded, but there shall be no duplication of sales or of transfers or of sales and transfers.

SEC. 7. *Profits—how computed.*—In computing his profits for the purpose of section 1, licensee shall observe the following regulations:

(1) Existing methods to be continued: Except as expressly provided in this section, or as hereafter expressly authorized or directed by the Chief of the Meat Division, licensee shall continue to compute the profits of his business and of the several departments thereof in accordance with the same methods and principles as he shall have employed during the 12-month period preceding November 1, 1917; and he shall not adopt any method or device which will conceal or understate the full and true profit thereof, or which will divert the profit properly accruing to licensee to any other person or corporation, or which will divert the profit properly attributable to business subject to limitation under section 1 to business not so subject.

(2) Interest and similar payments: There may be deducted from profits current payments or accruals of interest on bonds, notes, bills, or accounts

payable, properly attributable to that part of the business subject to the limitation of section 1; but no deduction shall be made for payments or accruals of any other interest, or of dividends on any class of capital stock of licensee, or for provisions for sinking funds, nor shall any such payments, accruals or provisions be charged to operating expenses; provided, that in case interest is so deducted, there shall be deducted such proportion of the total current interest as the total investment of licensee in that part of his business subject to the limitation of section 1 shall bear to his total investment.

(3) Federal taxes: Provisions for or payments or accruals of Federal income, corporation, or excess-profits taxes shall not be deducted from profits or charged to operating expenses.

(4) Transfer values: Any material or product transferred by licensee from or to any department of his business excluded under the provisions of section 4, or any material or product sold by licensee to or purchased by licensee from any corporation or concern in which licensee is directly or indirectly interested, shall be valued in the accounts at its true and fair market price or market value. Such price or value shall be taken as of the date of the actual physical transfer or delivery, and the time of such transfer or delivery shall continue to be fixed in accordance with the practice of licensee in the year preceding November 1, 1917, unless otherwise authorized or directed by the Chief of the Meat Division.

(5) Depreciation: Reasonable provision for depreciation of buildings, machinery, and equipment may be deducted, but such provision shall not, except with express approval of the Chief of the Meat Division, exceed the normal and customary provision therefor heretofore made by the licensee, and the Chief of the Meat Division reserves the right to reduce any such provision which he deems excessive.

(6) Repairs and maintenance: Only reasonable expenditures for repairs, renewals, and maintenance of buildings, machinery, and equipment may be charged to operating expenses, and in no case shall additions to or improvements of such property, which increases its permanent capital value, be charged to operating expenses, unless by express authorization of the Chief of the Meat Division.

(7) Depreciation of inventories: No provision or reserve for subsequent actual or possible depreciation in the value of inventories shall be deducted from the profits of any given accounting period, except as may be expressly authorized by the Chief of the Meat Division.

(8) Extraordinary provisions and losses generally: No extraordinary or abnormal provision, reserve, expenditure, or loss of any kind, not properly attributable to the business of a given accounting period, shall be deducted from the profits or charged to the operating expense of such period without the express approval of the Chief of the Meat Division.

(9) Inventories: In valuing inventories licensee shall, unless otherwise expressly authorized by the Chief of the Meat Division, value them on the basis of market prices, and the true, fair, and full market price or market value at the close of the accounting period shall in all cases be used.

(10) Overhead expenses: In case any department of licensee's business is excluded under the provisions of section 5, administrative and general expenses not directly attributable to individual departments shall be apportioned on a fair and just basis as between such excluded department and other departments. Unless expressly authorized or directed by the Chief of the Meat Division, the basis or principle of such apportionment shall continue to be that heretofore in use by licensee.

(11) Salaries: No unreasonably large or excessive salary or other compensation or bonus paid to any officer, director, stockholder, firm member, or proprietor of licensee shall be treated as part of operating expenses in the determination of profits for the purpose of section 1.

SEC. 8. *Profits by periods.*—Licensee shall close his books and determine his sales and profits at least as often as once in 16 weeks, and at least 4 times per year, and if licensee has heretofore closed his books at more frequent intervals, he shall continue to do so; the interval between such closing of the books shall be called an accounting period.

The ratio of profits to sales, specified in section 1, need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the rate of profits, expressed on an annual basis, of the first half of the 12-month period, ending on or about November 1

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of each year, shall not exceed the said limitation by more than one-third and that the profit for the entire 12-month period, ending at said date, shall not exceed said limitation,

ARTICLE III.—REPORTS AND EXAMINATIONS OF ACCOUNTS.

SEC. 1. Reports.—Every licensee subject to these regulations shall, within 30 days after the close of each of its accounting periods, as defined in Article II, section 8, furnish to the Chief of the Meat Division reports of his business in accordance with such blanks and forms as shall be prescribed by said chief; and such reports shall include such information as said chief shall require regarding the entire business of licensee whether subject to the limitation of Article II, section 1, or otherwise.

SEC. 2. Transcripts of accounts.—Every licensee shall, where so required by the Chief of the Meat Division, continue to keep and maintain any given form of accounts or records of his business, which he shall heretofore have kept, and shall furnish copies of such accounts or records to the Chief of the Meat Division.

SEC. 3. Access to books.—Licensee shall, at any reasonable time, give to any duly authorized representative of the Meat Division access to any or all books, records, accounts, or memoranda of his business for the purpose of verifying the reports of such licensee or for the purpose of securing any information desired by the Chief of the Meat Division.

SEC. 4. Report of stock holdings.—Licensee shall, not later than December 20, 1917, report to the Chief of the Meat Division all holdings of such licensee in the stock, bonds, or notes of other corporations or concerns, and shall thereafter report any acquisitions of such securities or changes in his holdings thereof.

SEC. 5. Access to books of subsidiary corporations.—Licensee shall cause every corporation, whatever the nature of its business, in which he holds half or more of the capital stock, to report from time to time to the Chief of the Meat Division such data regarding its business as said chief shall require and shall cause every such corporation to give the same access to its books, records, and accounts as is required of licensee under Article III, section 3.

Special rule as to inventory reserve, 1917-18.—Any licensee may accumulate an inventory depreciation reserve under the following regulations:

(1) Such reserve shall be based only on the inventory of pickled, salted, smoked, cured, canned, and frozen meats and lard, and of such meats in process of pickling, salting, smoking, and curing.

(2) It shall be calculated only on the excess of such inventory over the corresponding inventory at November 1, 1917, or the close of the accounting period ending nearest to that date, but it need not be reduced by reason of any reduction in inventory taking place before July 1, 1918, or the end of the accounting period next preceding or ending not more than 10 days after that date.

(3) It shall not exceed 2 cents per pound of such excess.

(4) It shall not continue to be accumulated on any further increase of inventory after the date last above mentioned.

(5) If up to said date licensee shall in his business subject to the limitation of Article II, section 1, have made less than the rate of profit specified therein, the deficiency may, at said date, be deducted from the said inventory reserve.

(6) The entire balance of said inventory reserve at said date shall be carried to profit and licensee shall so conduct his business that the profit, including reserve thus restored to profit, shall for the year ending on or about November 1, 1918, taken as a whole, not exceed the limit specified in Article II, section 1.

[United States Food Administration, Meat Division. Amended rules and regulations relating to the profits of slaughtering and meat-packing concerns. Rules for licensees with annual sales exceeding \$100,000,000. This pamphlet includes amendments issued November 1, 1918, and supersedes the pamphlet issued in November, 1917.]

AMENDED RULES AND REGULATIONS. MEAT DIVISION, U. S. FOOD ADMINISTRATION.

Pursuant to the provisions of section 2, of Article I, of the rules for licensees with annual sales exceeding \$100,000,000, heretofore promulgated, said rules are hereby amended as follows, viz:

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The rules and regulations contained in Articles I, II, and III, of said rules, are hereby revoked, and the following sections, rules, and regulations, effective at and from November 1, 1917, substituted therefor:

ARTICLE I.—LICENSEES SUBJECT TO THESE RULES AND REGULATIONS.

SECTION 1. *To whom rules are applicable.*—Every person or corporation shall be subject to these rules and regulations who is required to procure a license for the conduct of his business by the proclamation of the President of the United States, dated October 8, 1917, and who shall be engaged in the slaughtering of live stock and the manufacture of products therefrom and whose aggregate sales during the 12 months ending November 1, 1917, exceeded \$100,000,000. These rules shall take effect as of November 1, 1917.

SEC. 2. *Amendments.*—Amendments to these rules and regulations may be made from time to time by the United States Food Administrator on such notice and in such manner as he shall deem reasonable and fair.

SEC. 3. *Applications by licensees.*—If any licensee desires an interpretation of any matter in these rules, or any exception or special ruling relating to his business, he shall make written application therefor to the Chief of the Meat Division, stating fully the facts and the reasons for such application, and licensee shall take no action in such matter without the written authority of said chief.

SEC. 4. *Methods.*—Each licensee is forbidden to make any change in his method of doing business designed to effect or which shall effect, or to adopt any business practice designed to effect or which shall effect, a rate of profit beyond the limit fixed under these rules.

ARTICLE II.—REGULATION OF PROFITS.

SECTION 1. *Definitions.*—As used herein, the term "business" shall be deemed to include production, slaughtering, manufacturing, preparation, preservation, distribution, transportation, and dealing; and the term "live stock" shall be deemed to mean cattle, calves, swine, sheep, lambs, goats, and kids; the term "business," as used herein, shall not include (1) raising, feeding, and fattening of live stock; (2) the slaughtering of live stock or the manufacture of any product in any foreign country; (3) the operation of stockyards or of banks or of loan agencies or institutions for dealing in options or future contracts on any board of trade or exchange; (4) investments in or income from any corporation or concern specified in section 7 of these regulations.

SEC. 2. *Business, operations, investments, income, and profits of licensees subject to these regulations.*—(a) Business in the United States in food derived from slaughtered live stock, including the sale in any foreign country of such products manufactured or produced in the United States; (b) business in the United States in ice and refrigeration; (c) the operation in the United States of refrigerator cars and other railroad cars used primarily for transporting food products; (d) the Chief of the Meat Division shall, in his discretion, determine whether any business or operation not explicitly described in this section falls within any of the foregoing classifications.

SEC. 3. *Departments to be treated as units.*—Unless or until otherwise authorized or directed by the Chief of the Meat Division, the licensee shall continue to maintain the departments or divisions of his business which he maintained prior to November 1, 1917, and to handle such business, materials, or products within the department in which he was then handling it. In case any one department shall include business defined in section 2, of this article, and business not subject to these regulations, the total business of such department shall be treated as falling within business defined in section 2 of this article or as business not subject to these regulations, according to the determination of the Chief of the Meat Division.

SEC. 4. *Ratio of profit to investment.*—Every licensee shall so conduct his business that the annual profit of business, defined in section 2 of this article, shall not exceed 9 per cent of the investment therein, as hereinafter defined; provided, however, that in no case shall the profit in said business exceed the limitation based on sales provided for packing concerns having sales of less than \$100,000,000 per year.

SEC. 5. *Profits of separate departments, plants, etc.*—The limitation specified in section 4 shall apply to the aggregate of the licensee's business, defined in

section 2 of this article, and said ratio of profits to investment need not necessarily be maintained with respect to the business in any particular department, class of materials, or products, plant, or locality; provided, that licensee shall not, in fixing the price at which he shall buy or sell or in determining the profit, he shall obtain discriminate as between different departments, kinds of live stock, classes of materials or products, plants, localities, corporations, firms, or persons to the injury of any competitor or of any live-stock producer, or the public, nor shall licensee pursue any practice in the conduct of his business which shall be unjust to competitors, producers of live stock, or the public; and provided, that licensee shall correctly segregate the investment and the profits of each branch or department of his business, and in doing so shall be subject to the same rules as are hereinafter provided with respect to segregation between the business defined in section 2 of this article and business not subject to these regulations.

SEC. 6. *Certain corporations to be treated as departments.*—For the purposes of section 4 any corporation in which licensee holds stock, and which he, during the 12 months preceding November 1, 1917, treated as a department of his own general business or concern, or the investment and profits of which, or a proportion thereof, were during said period taken up and treated as part of the investment and profits of licensee's general business or concern, shall hereafter continue to be so treated, subject to section 1 of this article.

For the purposes of section 4 any corporation whose entire capital stock (directors' qualifying shares not be regarded) is held by licensee shall be treated as a department of licensee's general business or concern, and its total investment and profits shall be included, without duplication, with those of such general business or concern; and licensee shall not for the purpose of evading the limitation of his profits transfer stock that he may hold in any such corporation or otherwise divest himself of the ownership of its entire capital stock.

SEC. 7. *Income from other corporations.*—In computing profits for the purposes of section 4, there shall be excluded investments of licensee in, or loans by licensee to, any corporation or concern not falling under the provisions of section 6, and profits, dividends, interest, or other income received by licensee from any such corporation or concern, provided, that the Chief of the Meat Division may, in his discretion, require licensee to treat as part of the investment and profits of his own business or concern a proper proportion of the investment and profits of any such corporation or concern in which licensee is directly or indirectly interested.

SEC. 8. *Investment—How computed.*—1. In computing his investment in business which is subject to these regulations, for the purpose of the limitation of section 4, the licensee shall include only investments owned by the licensee and actually and necessarily used in said business, and shall include the following items, at their true and correct amount, free from all duplication, and no other: (a) The actual investment value in land, buildings, machinery, and equipment; (b) the value of stocks of animals, materials, or goods held by licensee; (c) the amount of cash on hand and of current trade accounts receivable less current trade accounts payable, unless such accounts payable are interest-bearing; (d) any other class of assets whose inclusion may be authorized by the Chief of the Meat Division.

2. Unless otherwise authorized or directed by the Chief of the Meat Division, licensee shall calculate the value of the several items specified in paragraph (1) according to the same methods and principles as were used by him during the year preceding November 1, 1917.

3. The aggregate amount treated by licensee as the investment in business defined in section 2 of this article shall in no case exceed the amount of the capital stock, bonds, bills payable, interest-bearing accounts payable, and surplus and undivided profits of licensee's total business (including, without duplication, the same items for subsidiary corporations treated as part of licensee's business under sections 6 and 7) less his investment in business not subject to these regulations.

4. The investment for any given 12-month period shall be taken as the average for the period, and unless otherwise directed by the Chief of the Meat Division said average shall be computed from the amounts of the several items of investment at the beginning and end of each of the several accounting periods as defined in section 11.

5. The investment shall be separately calculated for business subject to these regulations and for business not subject to these regulations and licensee shall

not for the purpose of increasing his aggregate profit adopt any method or device by which any part of the investment properly attributable to business defined in section 2 of this article shall be treated as investment in business not subject to these regulations, or vice versa.

6. So far as any form of investment is used jointly in the conduct of business subject to these regulations and business or operations not subject to these regulations, the amount of such investment shall be apportioned on a fair and just basis, subject to approval of the Chief of the Meat Division; provided, that unless otherwise expressly authorized or directed by the Chief of the Meat Division, the basis or principle of apportionment shall continue to be that used by licensee during the year preceding November 1, 1917.

SEC. 9. Profits—How computed.—In computing profits on business subject to these amended regulations for the purpose of section 4 hereof, licensee shall observe the following regulations:

1. Existing methods to be continued: Except as expressly provided in this section, or as hereafter expressly authorized or directed by the Chief of the Meat Division, licensee shall continue to compute the profits of his business and of the several departments thereof in accordance with the same methods and principles as he shall have employed during the 12-month period preceding November 1, 1917; and he shall not adopt any method or device which will conceal or understate the full and true profit thereof, or which will divert the profit properly accruing to licensee to any other person or corporation, or which will divert the profit properly attributable to business subject to these regulations to business not subject to these regulations. Licensee shall, upon the order of the Chief of the Meat Division, make such changes in his accounting and bookkeeping system as may be required, and shall, upon the order of the Chief of the Meat Division, adopt and follow a uniform system of bookkeeping and accounting.

2. Interest: No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable, or any other interest for payments or accruals of dividends on any class of capital stock of license or for provisions for sinking funds, nor shall any such payments, accruals, or provisions be charged to operating expenses; provided, that any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon.

3. Federal taxes: Provisions for or payments or accruals of Federal income, corporation, or excess-profits taxes shall not be deducted from profits or charged to operating expenses. These regulations are subject to further revision in the event that Congress enacts an excess-profits tax law substantially affecting these regulations.

4. Transfer values. Any material or product transferred by the licensee to or from any business or department thereof subject to these regulations, to or from any business or department thereof not subject to these regulations, or any material or product sold by the licensee to or purchased by the licensee from any corporation or concern in which the licensee is directly or indirectly interested, shall be valued in the accounts at its true and fair market price or market value without deduction. Such price or value shall be taken as of the date of the actual physical transfer or delivery, and the time of such transfer or delivery shall continue to be fixed in accordance with the practice of the licensee in the year preceding November 1, 1917, unless otherwise authorized or directed by the Chief of the Meat Division. Such transfer values shall in every case be subject to the approval of the Chief of the Meat Division as to fairness and accuracy; in case no reliable market values are available the licensee shall submit to the Chief of the Meat Division for his approval the proposed transfer values, together with adequate market and other necessary information in support of the proposed transfer value. This rule shall be observed in respect to materials transferred from any department to any other department and to the values ascribed to commodities or services purchased or obtained by the licensee in connection with the business subject to these regulations, including the purchase of boxes, cans, containers, labels, printing, loans, interest, and any other material, and all services in connection with the production, slaughtering, manufacturing, preparation, preservation, distribution, transportation, and dealing in food and food products.

5. Depreciation: Reasonable provision for depreciation of buildings, machinery, and equipment may be deducted, but such provision shall not, except with

express approval of the Chief of the Meat Division, exceed the normal and customary provision therefor heretofore made by licensee, and the Chief of the Meat Division reserves the right to disallow any such provision which he deems excessive.

6. Repairs and maintenance: Only reasonable expenditures for repairs, renewals, and maintenance of buildings, machinery, and equipment may be charged to operating expenses, and in no case shall additions to or improvements of such property which increase its permanent capital value be charged to operating expenses unless by express authorization of the Chief of the Meat Division.

7. Depreciation of inventories: No provision or reserve for subsequent actual or possible depreciation in the value of inventories shall be deducted from the profits of any given accounting period, except as expressly authorized by the Chief of the Meat Division.

8. Extraordinary provision and losses generally: No extraordinary or abnormal provision, reserve, expenditure, or loss of any kind not properly attributable to the business of a given accounting period shall be deducted from the profits or charged to the operating expense of such period without the express approval of the Chief of the Meat Division.

9. Inventories: (1) Raw material, live stock, coal, lumber, or other merchandise which is utilized in food production or packing shall be valued at its replacement cost as of date of inventory.

(2) Merchandise or material in process shall be priced at its full and true value to be ascertained by one of the following alternative methods. The one chosen shall be that which shall most truly establish the correct value: (a) To the raw material value add the accumulated cost of manufacturing or processing to the date of inventory, or (b) from the true and full market value of like finished products deduct the fair and reasonable cost of finishing the product.

(3) Finished merchandise ready for market shall be priced at the full market value, less a sum equal to the reasonable cost of marketing. Licensee shall submit to the Chief of the Meat Division for his approval any proposed deductions representing the cost to market.

10. Overhead expenses: Administrative and general expenses not directly and solely attributable to business subject to these regulations shall be apportioned on a fair and just basis as between business subject to the regulations and business not so subject, and unless otherwise authorized or directed by the Chief of the Meat Division, the basis or principle of such apportionment shall continue to be that used by licensee during the year preceding November 1, 1917.

11. Salaries: No unreasonably large or excessive salary or other compensation or bonus paid to any officer, director, stockholder, firm member, or proprietor of licensee shall be treated as part of operating expenses.

SEC. 10. *Relation of profits to sales.*—

For the purpose of determining the ratio of profit to sales, under the proviso of section 4, licensee shall observe the methods of calculating sales and profits provided in Article II of the rules and regulations for packing concerns having annual sales of less than \$100,000,000.

SEC. 11. *Profits by periods.*—Licensee shall close his books and determine his investment, sales, and profits at least as often as once in 10 weeks, and at least six times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing time of the books shall be called an accounting period.

The ratio of profits to investment specified in section 4 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the profits of the first half of the 12-month period ending on or about November 1 of each year shall not unreasonably or unusually exceed the said limitation, and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

ARTICLE III.—REPORTS AND EXAMINATIONS OF ACCOUNTS.

SECTION 1. *Reports.*—Every licensee subject to these regulations shall, within 30 days after the close of each of its accounting periods as defined in Article II, section 11, furnish to the Chief of the Meat Division reports of his business

in accordance with such blanks and forms as shall be prescribed by said chief; and such reports shall include such information as said chief shall require regarding the entire business of licensee whether subject to the limitation of Article II, section 4, or otherwise.

SEC. 2. *Transcripts of accounts.*—Every licensee shall, where so required by the Chief of the Meat Division, continue to keep and maintain any given form of accounts or records of his business which he shall heretofore have kept, and shall furnish copies of such accounts or records to the Chief of the Meat Division.

SEC. 3. *Access to books.*—Licensee shall at any reasonable time give to any duly authorized representative of the Meat Division access to any or all books, records, accounts, or memoranda of his business, for the purpose of verifying the reports of such licensee or for the purpose of securing any information desired by the Chief of the Meat Division.

SEC. 4. *Report of stock holdings.*—Licensee shall, not later than December 20, 1917, report to the Chief of the Meat Division all holdings of such licensee in the stocks, bonds, or notes of other corporations or concerns, and shall thereafter report any acquisitions of such securities or changes in his holdings thereof.

SEC. 5. *Access to books of subsidiary corporations.*—Licensee shall cause every corporation, whatever the nature of its business, in which he holds half or more of the capital stock, to report from time to time to the Chief of the Meat Division such data regarding its business as said chief shall require, and shall cause every such corporation to give the same access to its books, records, and accounts as is required of licensee under Article III, section 3.

HERBERT HOOVER,

United States Food Administrator.

Mr. GLASGOW. Now, sirs, the audit has been going on from time to time, and the Federal Trade Commission has been going into the packers' books. I do not know accurately what that commission may finally report. I do know that their expert accountant, who has had charge of it, stated on the stand, although he did take the position, which I referred to a minute ago, that although the Food Administration had never been any good on earth to the producer, the consumer, or anybody else, yet in fairness must say that under the rules of the Food Administration limiting the profits that the packers might make for the year beginning November 1, 1917, and ending October 31, 1918, that their profits had actually been less than the maximum which we allow. Our information is that their profits were 5.6 per cent, with 1.6 per cent on the turnover.

I understand that the accountants of the Federal Trade Commission say that mathematically those figures are correct, yet there is some question in their minds as to the audit, because they are not satisfied as to some exchanges of capital between the several businesses of the packers. That is all I know about it, but some day I suppose we will find out officially from the Trade Commission what the profits were. That is the result of the rules and regulations of the Food Administration, so far as the profits of the packers are concerned.

Now, Mr. Chairman and gentlemen of the committee, we have had a controversy with the Federal Trade Commission and a controversy before the committees as to whether that maximum of 9 per cent should be limited to earnings upon the packers' capital stock or whether when they borrowed, we will say, \$100,000,000 and put it into this business, they were entitled to earn money on that borrowed money they put into the business, over and above the exact amount of interest they paid on the borrowed money. We took the position, and take it now, that if the packers had \$200,000,000 invested in this

businesss and used in this business for that year, \$100,000,000 of it being fixed capital, represented by capital stock outstanding, and the other \$100,000,000 represented by money for which they went into the bank and paid 5 per cent or 6 per cent. Our position was, and is, that they were entitled to earn not exceeding the maximum on the money they had in the business——

Mr. WINSLOW (interposing). May I ask a question there, which may affect your further statement?

What was the wording of your order to the packers in the first instance?

Mr. GLASGOW. It is as follows:

Licensee [that is, the packer] shall so conduct his business that the annual profit of business of class 1 shall not exceed 9 per cent of the investment therein * * *.

Mr. WINSLOW. Thank you.

Mr. GLASGOW. Now, I say, apart from the exact wording, if you are intending to determine under any bookkeeping or accounting, the rights of a man who is under limitation as to profits and who has \$10,000 in his business, and in order to conduct that business goes out and borrows from the banks \$100,000 and puts it into that business and uses it in that business, and to say that all he can earn is a certain amount upon the \$10,000 he has as fixed capital stock invested in the business, and that he can not earn anything on the \$100,000 that he borrows and puts into the business, why, the man who borrowed money would be a fool, and such a contention would shock the business of this country. If it is determined upon bookkeeping suggestions and accounting suggestions, and I have no interest in this except to get at the right of it, that all a man can earn is a fixed percentage or a limited percentage on the annual fixed capital he has got, and that if he goes and borrows capital over here at the bank and puts it in, all he can get is 6 per cent on his original \$10,000 and he can not earn anything over and above the interest that he has to pay for the \$100,000 that he borrows and puts into his business, it is not right.

I construe our rules to mean that they were entitled to earn not exceeding a maximum of 9 per cent on the money they had invested. Apart from the technical construction which some might put upon the rule, if I had to go over it again, I would do it exactly the same way again. I think it is illustrated in every business man's life or in the life of any man who has had anything to do with the affairs of life, and if he can only earn on his fixed capital and that he can charge as expense the interest he has to pay, but get no return to himself on the money borrowed, who would borrow for the purpose of his business? To my mind such a suggestion is not practical, and I think if followed would shock the business interest of this country to their foundations.

Mr. STEPHENS. Who makes that suggestion?

Mr. GLASGOW. The Federal Trade Commission.

Mr. SANDERS. If that were true, nobody would borrow money.

Mr. GLASGOW. That is very true.

Mr. WINSLOW. How did they look upon the funded indebtedness of the party?

Mr. GLASGOW. I think that was treated as a part of the business when put back into the business.

Mr. WINSLOW. One is about the same as the other.

Mr. GLASGOW. I think that is the way it was treated.

Mr. WINSLOW. If they borrowed money every year, it was simply as if borrowed for 10 years.

Mr. GLASGOW. I can not tell you exactly the details of that. I do not recall that.

Mr. WINSLOW. You do not know whether or not they gave them the benefit of the bonded indebtedness as capital?

Mr. GLASGOW. I can not tell you that, because I do not know the details. It is merely the principle that strikes me.

The CHAIRMAN. You may proceed with your statement.

Mr. GLASGOW. Now, upon that theory this accountant has criticized the Food Administration regulations and says they do not limit the packers to anything because they have earned a good deal more than 9 per cent on the fixed capital. I am sure that on the first class with which we have had to do they have not earned more than the maximum.

Now, gentlemen of the committee, I want to go along as fast as I can, but will briefly tell you what has happened.

The President wrote us a letter on February 19, 1918, addressed to Mr. Hoover, which is as follows:

THE WHITE HOUSE,
WASHINGTON, *February 12, 1918.*

MY DEAR MR. HOOVER: May I not call your attention to this important point?

There is pressing need of the full cooperation of the packing trade, of every officer and employee, in the work of hurrying provisions abroad. Let the packers understand that they are engaged in a war service in which they must take orders and act together under the direction of the Food Administration if the Food Administration requires.

Cordially and sincerely, yours,

(Signed) WOODROW WILSON.

HON. HERBERT HOOVER,
Food Administration.

Mr. GLASGOW. We issued that to the packers, and I think I would feel unfair if I did not say, sirs, that under very great difficulties of transportation and labor—though I have nothing to say or any interest in the packers' previous record—but during the war, since January, 1918, when I came here to Washington, when that information was given to the packers, I would feel unfair if I did not say that under serious difficulties they have performed the service and performed it well, of getting food to our own people and the people of our allies, without which service it could not have been accomplished. So, while I have no interest whatever in the packers, I would feel a little ashamed of myself if I did not accord justice to them.

Mr. SANDERS. Isn't that true of the farmer?

Mr. GLASGOW. Yes, sir.

Mr. SANDERS. The difference is, the profit was guaranteed to the packer and not to the farmer.

Mr. GLASGOW. Oh; no. I do not agree with you on that, sir. I am going in a minute to tell you what the situation was. There was no guaranty to the packer.

Mr. SANDERS. The packer could make 9 per cent.

Mr. GLASGOW. He might if he could.

Mr. SANDERS. And he did.

Mr. GLASGOW. No, sir; I think they made less.

Mr. SANDERS. They say they made 9 per cent, I thought.

Mr. GLASGOW. No, sir.

Mr. HAMILTON. Not on the business of the first class.

Mr. GLASGOW. No, sir; our figures show less than that.

Now, Gov. Sanders, the only agreement of any kind or character, or assurance, that we ever gave to the packers, and let us have it clearly understood here and now, was this: We have told the farming and producing interests that we would try to maintain a price of not less than \$15.50 on hogs and translate from month to month the value of corn into a specific price for hogs; we told the packers, and we have lived up to it, if you will buy hogs at this price of the farmer, we will endeavor to secure orders from overseas which will enable you to pay the farmer his price and earn not exceeding 9 per cent. That is the only assurance we have even given the packer. We have never promised anything. If the conditions in Europe broke down, it was their lookout. But we said as far as we could we would enable the packer to pay the farmer the price provided and permit the packer to earn a profit not to exceed 9 per cent on his investment. That is all we have ever told the packer.

Now, Mr. Chairman and gentleman of the committee, we went along. This agricultural advisory committee that I spoke of has been advising us all along. In September, 1918, the price of corn had gone up, and the farmer was interested in securing a better price for his hogs; and as the price of corn which he fed his hogs was advancing, he was naturally very much interested in the matter. I may explain that the assurance that we gave as to endeavoring to maintain the price of \$15.50 to the farmer covered the hogs farrowed in the spring of 1918. That assurance that we gave will expire when the run of these hogs ceases. I am advised that that will be about the latter part of March, 1919; but it continues right along up to that time, until those pigs are disposed of that were farrowed in 1918.

On September 25, 1918, a meeting was held in Washington of what was known as the subcommittee of the agricultural advisory committee, of which Gov. Stuart was chairman, and that subcommittee was headed by Mr. F. J. Hagenbarth.

The agricultural advisory committee has made the following recommendation to the United States Food Administration:

The following members of the subcommittee of the national agricultural advisory committee on live stock, to wit, Messrs. F. J. Hagenbarth, Spencer, Idaho; H. C. Stuart, Elk Garden, Va.; Eugene Funk, Bloomington, Ill.; N. H. Gentry, Sedalia, Mo.; W. L. Brown, Kingman, Kans.; Isaac Lincoln, Aberdeen, S. Dak.; John Graftan, Broomfield, Colo.; C. W. Hunt, Logan, Iowa; together with the following gentleman, invited by the chairman, Mr. H. C. Stuart, to sit with them, to wit, Messrs. J. H. Crockett, Wytheville, Va.; J. H. Mercer, State House, Topeka, Kans.; W. H. Tomhave, State College, Pa.; J. G. Brown, Monon, Ind.; J. C. Crawley, Lawson, Mo.; Prof. J. H. Skinner, Lafayette, Ind.; S. P. Houston, Malta Bend, Mo.; A. Sykes, Ida Grove, Iowa; Prof. John Evvard, Ames, Iowa, offer the following report:

The committee has been asked by the agricultural advisory board to meet in conference with the Food Administration in consideration of the commercial methods to be pursued by the administration in the interpretation of the policy outlined on November 3, 1917, with regard to the price of hogs, which was as follows:

"The prices so far as we can effect them will not go below a minimum of about \$15.50 per hundredweight for the average of packers' droves on the Chicago market until further notice. * * * As to the hogs farrowed next spring (1918), we will try to stabilize the price so that the farmer can count

on getting for each 100 pounds of hog ready for market 13 times the average cost per bushel of corn fed into the hogs. Let there be no misunderstanding of this statement. It is not a guaranty backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration, which means to do justice to the farmer."

The recommendations of the committee were:

1. It is recognized that the Food Administration has no power to fix the price of hogs or corn, and can only influence the hog price so far as the volume of controlled orders for the Army, Navy, allies, and export trade will absorb the surplus production. If prices should go so high as to curtail consumption at home and abroad, then in this event the stabilization of prices during the next winter would be likely to fail, with disaster to the producer. On the other hand, it must be recognized that the costs of production are necessarily greatly increased, and that to maintain production fair returns must be assured to the farmer. It is therefore, in the fundamental interest of the producer and consumer that both extreme high and low prices should be guarded against.

2. In order to effectually carry out the above policy of the Food Administration, it is recommended that in dealing with the packer in respect to the coordinated purchase of pork products that directions should, if necessary, include a definite price basis in advance from month to month for the packers' purchase of hogs, upon which such orders will be based.

Mr. GLASGOW. You see, gentlemen of the committee, the producers wanted to arrange with the packers so that definitely at the beginning of each month they would know the price of hogs during the coming month.

3. It is recommended by the committee that the "average cost per bushel of corn" for the purpose of determining the price of hogs be considered as the average "farm value of corn," or the average selling price of corn at local railroad stations as determined by the Department of Agriculture, and that the general corn figures be arrived at by taking these averages and weighing them according to production over the eight leading hog and corn-producing States for a period of five months preceding the month the hogs are marketed, or prior to the month for which directions are given to the packers. The price of hogs should be calculated on the average of packers' droves at Chicago.

4. To illustrate: Based upon the prices of corn figured on the above basis during the last five months, and a general survey of market and consumption conditions, it was agreed that a fair price interpretation of the ratio for the month of October would be an average price, for the average of packers' droves, of about \$18.50 per hundred pounds at Chicago. It can not be expected that the day-to-day market prices, with the fluctuating flow of demand and supply; can be maintained at any fixed and definite figures, but that it should be the aim to maintain about an average during the month.

5. The indication of war demands are that the supply of pork products for the future should be kept up to the present level of production. The producers have responded magnificently and are placing at the hands of the Government the hogs with which to carry over the allied and domestic necessities for the next 12 months. It is obvious that after peace the world demand for pork products will be greatly increased over the present large war demands. The Food Administration should endeavor during the war to maintain prices for hogs that will be profitable to the producer and fair to the consumer, and to give this assurance to the producer, the committee recommends that the Food Administration should at once announce its intention to maintain the minimum price of not less than \$15.50 continuously during the war.

EUGENE D. FUNK,
JOHN M. EVVARD,
JOHN H. SKINNER,
A. SYKES,
N. H. GENTRY,
Special subcommittee.

Mr. ESCH. Is that Funk a member of the railroad commission of the State of Illinois?

Mr. GLASGOW. He is a farmer who lives at Bloomington, Ill. I know him very well and he is a large farmer. He lives on the land

that his father owned before him, but I do not know whether he is a member of the railroad commission or not.

Mr. ESCH. My impression is that the Mr. Funk who is a member of the railroad commission of Illinois comes from Bloomington, and I wondered if he was the same man.

Mr. GLASGOW. I have never heard any reference of that kind to him. I have known him for a year and know he is a farmer engaged in actual farming there.

The CHAIRMAN. You may proceed, Mr. Glasgow.

Mr. GLASGOW. You gentlemen will notice that that committee of producers recommended to the Food Administration that the minimum which had been suggested, \$15.50 per hundred pounds, be maintained as the minimum throughout the period of the war.

Mr. STEPHENS. Was that \$15.50 per hundred pounds of hog or \$15.50 worth of corn, or 15 bushels of corn?

Mr. GLASGOW. \$15.50 per hundred pounds minimum for hog. And that the 13 to 1, that is, the value of 13 bushels of corn to 100 pounds of pork, should be maintained, that the Food Administration should endeavor to maintain that ratio, and that the price based upon corn for the month of October, 1918, should be \$18.50 per 100 pounds of hog.

Now, gentlemen of the committee, on the 3d of October a letter was addressed to—of course, the packers were advised of what the producers thought they ought to have. The only way we could get money for the producers for their hogs was for the packers to pay it, and the only way we could get the packers to pay the price to the farmers was to see whether they could sell the product at a profit when bought at that price. Therefore, as I say, their views were communicated to the packers.

This letter came from the packers, dated October 3, 1918. The following is the full text of the packers' views as to carrying out the producers' plan of stabilizing the price of hogs. The letter is signed by some 40 secondary packing firms, in addition to the five large packers.

UNITED STATES FOOD ADMINISTRATION.

Meat Division, Washington, D. C.

GENTLEMEN: Complying with your instructions and bearing in mind the utmost importance of encouraging the long view in production of hogs and the necessity of providing supplies for our Army, our Navy, the allies, and our civil population, we have given very serious consideration to the producers' plan of stabilizing the price of live hogs per hundredweight at Chicago on a basis of about 13 times the price of one bushel of corn (the average price per bushel of corn to be fixed on a basis of the previous five months' average farm values or the price at shipping points in certain States). It is the opinion of all the packers in attendance at this meeting that this plan may not prove workable. This basis fixes what might prove an unduly high price on hogs at the starting of the packing season and provides for a gradual reduction in prices and on a normal descending corn market would result in the lowest prices probably being arrived at in the spring of the year, whereas the ordinary course of the market is the reverse. This plan may result in the warehouses being filled up with high-priced products even though the allied orders are very considerably increased, as the allied requirements only take certain cuts produced from certain weight choice hogs, and the allied orders do not provide an outlet for the cuts of all kinds of hogs. We feel that the establishing of the 13-to-1 basis may result in higher prices to the consumer. Even though it protects the production, and in the long run the consumer, it carries a possibility, at least, if not a probability of decreased domestic consumption. It is our wish in every possible way to cooperate with the Food Administration, and in

presenting the following suggestions we wish to again emphasize that we have made same bearing in mind the statements made this morning to us by the Food Administration and the importance of working out some plan whereby the swine raiser can receive reasonable assurance against undue losses and undue fluctuations of the markets.

1. We will use our best efforts to maintain a minimum price of 15½ cents for average droves (average droves not to include rough packers, pigs 130 pounds and down, stags, boars, and thin sows) during the heavy packing season, and in order to stabilize the market will endeavor to hold the usually sharp decline to a gradual change. We agree that for the month of October a minimum average price of 18 cents for average droves as above be established; that before November policies be determined at a further meeting be held by the packers' committee, together with the producers' committee, the Food Administration, the Army and Navy Representatives, when the de facto situation can be again canvassed. We anticipate very large receipts of hogs, and also that the packing houses of the United States will be taxed to their utmost capacity to take care of the receipts, and that it will be a hardship and very difficult to maintain the prices suggested, let alone trying to maintain higher ones.

2. To the best of our ability we will avoid having fluctuations any one week to exceed 50 cents per hundred.

3. That the packers' executive committee be consulted before allotment prices are made, and that in arriving at prices for export meats due consideration be given the cost of the selection of hogs which go into these cuts, and that they be figured at the starting prices for the hogs at a proper differential based upon the average cost of the droves, and that prices for allotments be figured out to provide a reasonable profit on the above basis.

Also that readjustments be made immediately on maximum prices on smoked meats and lard to a reasonable basis.

4. It is further recommended that the Food Administration in fixing the prices for the October allotment of the allied buying commission purchases give due consideration to the actual cost of the hogs from which the product for the October allotment is made.

OCTOBER 3, 1918.

REPRESENTATIVES OF MEAT PACKERS.

J. W. Rath, the Rath Packing Co., Waterloo, Iowa.
 Isaac Powers, Home Packing & Ice Co., Terre Haute, Ind.
 William Diesing, the Cudahy Packing Co., Chicago.
 T. Henry Foster, vice president John Morvell & Co.
 Frank J. Sullivan, president Sullivan Packing Co., Detroit.
 George A. Hormel, president George A. Hormel & Co., Austin, Minn.
 T. W. Tallaferro, vice president Hammond, Standish & Co., Detroit, Mich.
 F. T. Fuller, president Iowa Packing Co., Des Moines, Iowa.
 John A. Bunnell, Hately Bros. Co.
 C. G. Newcomb, the Lake Erie Provision Co., Cleveland, Ohio.
 Joseph Sanders, Armour & Co.
 William G. Agar (New York City), Frye & Co., Seattle, Wash.
 F. Guggenheim, Guggenheim Bros., Chicago.
 Charles H. Knight, Louisville Provision Co., Louisville, Ky.
 B. Morris, jr., Morris & Co., Chicago.
 James G. Cownie, Jacob Dold Packing Co., Buffalo.
 James S. Agar, John Agar Co.
 L. F. Swift, Swift & Co.
 G. C. Shepard, the Cudahy Packing Co.
 M. C. Campbell Thomas Ruddy Packing Co., Kansas City, Kans.
 Lyman J. Craig, Parker Webb & Co.
 P. A. Jacobson, Winona, Minn.
 Ralph W. E. Decker, Jacob E. Decker & Sons, Mason City, Iowa.
 Charles Rohe, Rohe & Bro., New York.
 D. C. Robertson, Miller & Hart, Chicago.
 E. C. Merritt, vice president and general manager Indianapolis Abattoir Co., Indianapolis, Ind.
 O. P. Lamle, Columbus Packing Co., Columbus, Ohio.
 Albert M. Schenk, F. Schenk & Sons Co., Wheeling, W. Va.
 Fred Krey, Krey Packing Co., St. Louis, Mo.
 Gustav Bischoff, St. Louis Independent Packing Co., St. Louis, Mo.

E. L. Flippen, president Armstrong Packing Co., Dallas, Tex.
 F. W. Waddell, Armour & Co., Chicago.
 S. T. Nash, president the Cleveland Provision Co., Cleveland, Ohio.
 J. A. Hawkinson, Wilson & Co.
 E. A. Cudahy, the Cudahy Packing Co.
 F. Edson White, Armour & Co.
 L. H. Freeman, Boyd Lunham & Co., Chicago.
 M. Mannheimer, Evansville Packing Co., Evansville, Ind.
 John M. Shaw, Kingan & Co., Indianapolis.
 Nathan Straus, Nathan Straus (Inc.), Brooklyn, N. Y.

Now, sir, on the 2d of October Mr. Hoover addressed a letter to the subcommittee of the Agricultural Advisory Committee, of which Gov. Stuart was chairman, in reply to their letter suggesting a price of \$18.50 for the month of October and that the minimum be reassured, in which Mr. Hoover accepted their suggestion and said that he would endeavor to carry it out. I desire to put that letter in the record as his answer, but it is not necessary to read it. His reasons for it are clear.

[The letter referred to is here printed in full as follows:]

OCTOBER 5, 1918.

DEAR GOV. STUART: I am extremely obliged for the helpful and intelligent recommendations of the committee. I wish to say for the Food Administration that so far as we are able we will continue the assurance of a minimum \$15.50 per hundred for average packers' droves at Chicago for hogs farrowed this fall. We can reconsider the outlook in a few months as to the extension of this again to spring farrowing. I have myself little doubt that we will be able to continue. I do want it made clear in all these matters of price influence by the Government that this is not a guarantee; it is a policy, and this policy will only be defeated by some unlooked-for interruption in distribution, transportation, or consumption—a risk of war we must all take.

The criticism has been made that in changing the formula from "cost of corn to be fed to the hogs" to the "farm value" or farmers' "selling value at country stations" has the effect of an advance to the farmer, as it realizes to him the profit on corn production as well as the profit between the normal amount of corn fed to hogs and the higher ratio here adopted, and that the calculation of hogs at Chicago only partly compensates this. I am not, however, disposed to quarrel with just profits to the farmer, and in any event the application of such formulas must be rough and ready and designed to attain their real end—justice and the stimulation of production.

The Food Administration has systematic independent information on the actual prices paid for corn at country stations through its Cereal Division, and we must necessarily use this information in conjunction with information collected by the Department of Agriculture.

We have carried out an inquiry as to which really are the eight leading corn and hog producing States for a basis of these calculations. We examined the question from various standpoints—production of both items upon a square-mile basis, upon per capita basis of population, upon simple State production and for different years. Under these tests Iowa, Illinois, Indiana, Ohio, Nebraska, and Missouri—six States—fall into every basis of calculation. Of the others it is difficult to decide. From different aspects Minnesota, South Dakota, Texas, Tennessee all enter for the other two. In fact, the committee was referring to the "corn belt," of which Texas lies outside and only has a place here by sheer size. From various aspects it appears to me that everyone would agree that South Dakota and Minnesota more clearly conform to the committee's definition than any other—especially if we "weight" the relative factors. I have, therefore, adopted these States.

In accordance with the committee's recommendation, we will issue instructions to the packing firms, about 50 in number, who participate in controlled orders affecting, so far as these orders will go, the stabilization of price on these lines.

You will recognize that this should be effective as long as the controlled orders dominate the market. If they fall short of this it will be necessary to rely upon the packers carrying in stock any surplus pending absorption by the controlled orders or general consumption.

This was accomplished last winter under difficulties, and a break below the minimum was prevented.

Faithfully, yours,

(Signed) HERBERT HOOVER.

Mr. Chairman, the price had been \$18.50, and when the latter part of October came the price of \$18.50 had been maintained by the packers paying to the producers that amount for the run of hogs. The latter part of October, due to the talk of peace and talk of corn from Argentina, etc., the price of corn began to drop, and the producers did not actually see where they were coming out, if the price should be based upon 13 bushels of corn to the 100 pounds of hog, and they were afraid, having fed the high-priced corn into the hogs, that the price on the corn basis might reduce the price of the hogs below what would be a fair return to them for the services in producing the hogs. So we had a meeting on the 26th of October, 1918. At that meeting—and this has been referred to sometimes, Mr. Chairman, as a secret meeting, behind closed doors—there were four representatives of the Food Administration present, Mr. Hoover, Mr. Snyder, who is the head of the meat department, Maj. Roy, and G. H. Powell. There were two members from the Agricultural Department, Louis D. Hall, F. R. Marshall, of the Bureau of Markets. There were 15 producers of hogs present.

Mr. HAMILTON. May I ask you a question there?

Mr. GLASGOW. Yes, sir.

Mr. HAMILTON. They husk corn in Argentina in what is our spring, and plant corn in what is our fall. You spoke about the corn crop coming in from Argentina, beginning to arrive in October?

Mr. GLASGOW. I said there was talk about the Argentina corn. I do not know whether it actually came in then, but there was apprehension that the price of corn would drop some 25 or 30 cents and I was told that the talk of the armistice and approaching peace was creating anxiety as to a drop in the price of corn, much of which at high prices had already been fed to the hogs.

There were 15 producers present at that meeting, and there were some 12 or 15 representatives of packers present. The new situation, corn having dropped in price, was to be considered and what was to be done in view of the fact that the producers had already fed into a great many hogs the high-priced corn. And this is the conference between the live stock subcommittee of the Agricultural Advisory Board, including special members representing the swine industry and of the Food Administration, and the packers, held on October 23 to 25 to consider the present situation of the hog market, and it reached the following conclusion:

The entire marketing situation has so changed since the September joint conference as to necessitate an entire alteration in the plans of price stabilization. The current peace talk has alarmed the holders of corn, and there has been a price decline of from 25 cents to 40 cents per bushel. The fact that the accumulations of low-priced corn in the Argentine and South Africa would, upon the advent of peace and liberated shipping, become available to the European market, has created a great deal of apprehension on the part of corn holders. This decline has spread fear among swine growers that a similar reduction in the prices of hogs would naturally follow. Moreover, the lower range of corn prices, would if incorporated in a 13 to 1 ratio obviously result in a continuously falling price for live hogs. In view of these changed conditions many swine producers anticipated lower prices and, as a result,

rushed their hogs to market in large numbers, and this overshipment has added to and aggravated the decline.

The information of the Department of Agriculture indicates that the supply of hogs has increased about 8 per cent, while the highest unofficial estimate does not exceed 11 per cent increased production over last year. On the other hand, the arrival of hogs during the last three weeks in the seven great markets has been 27 per cent more than last year during the corresponding period, demonstrating the unusually heavy marketing of the available supply. In the face of the excessive receipts some packers have not maintained the price agreed last month. On the other hand, many of the packers have paid over the price offered to them in an endeavor to maintain the agreed price. The result in any event has been a failure to maintain the October price basis determined upon the September conference and undertaken by the packers. Another factor contributing to the break in prices during the month has been the influenza epidemic; it has sharply curtailed consumption of pork products and temporarily decreased the labor staff of the packers about 25 per cent.

The exports of 130,000,000 pounds of pork products for October compared with about 52,000,000 pounds in October a year ago, and the export orders placeable by the Food Administration for November, amount to 170,000,000 contrasted with the exporters of 98,000,000 for November, 1917. The increased demands of the allies are continuing and are in themselves proof of the necessity for the large production for which the Food Administration asked. The increase in export demands appears to be amply sufficient to take up the increase in hog production, but unfavorable market conditions existing in October afford no **air index of the aggregate supply and demand.**

It must be evident that the enormous shortage in fats in the central empires and neutral countries would immediately upon peace result in additional demands for pork products which, on top of the heavy shipments to the allies, would tend materially to increase the American exports, inasmuch as no considerable reservoir of supplies exists outside of the United States. It seems probably that the present prospective supplies would be inadequate to meet this world demand with the return to peace. So far as it is possible to interpret this fact, it appears that there should be even a stronger demand for pork products after the war, and therefore, any alarm of hog producers as to the effect of peace is unwarranted by the outlook.

In the light of these circumstances, it is the conclusion of the conference that attempts to hold the price of hogs to the price of corn may work out to the disadvantage of pork producers. It is the conclusion that any interpretation of the formula should be a broad gauged policy applied over a long period. It is the opinion of the conference that in substitution of the previous plans of stabilization, the live stock subcommittee of the Agricultural Advisory Board, together with the specially invited swine representatives, should accept the invitation of the Food Administration to join with the Administration and the packers in determining the prices at which controlled export orders are to be placed. This will be regularly done. The influence of these orders will be directed to the maintenance of the common object, namely, the stabilization of the price of live hogs so as to secure as far as it is possible fair returns to the producer and the insurance of an adequate future supply.

These foreign orders are placed upon the basis of cost of hogs to the packers.

As the result of long negotiations between this body and the packers committee, representing the 45 to 50 packers participating in foreign orders together with the allied buyers, all under the chairmanship of the Food Administration, the following undertaking has been given by the packers:

In view of the undertakings on the part of the Food Administration with regard to the coordinated purchases of pork products—

That is what I was speaking of, the coordination of orders which we told them we would try to get—

covered in the attached, it is agreed that the packers participating in these orders will undertake not to purchase hogs for less than the following agreed minimums for the month of November; that is, a daily minimum of \$17.50 per hundred pounds on average of packers' droves, excluding throw outs.

In the month of October the price was \$18.50.

Mr. STEPHENS. It was \$17.50 on the Chicago market?

Mr. GLASGOW. Yes, sir; for the month of November they recommended a price of \$17.50 on the Chicago market.

Mr. HAMILTON. This agreement as to price has been renewed from month to month since that time?

Mr. GLASGOW. Yes, sir. [Reading resumed]

"Throw outs" to be defined as pigs under 130 pounds, stags, boars, thin sows, and skips. Further, that no hogs of any kind shall be bought, except throw outs, at less than \$16.50 per hundred pounds. The average of packers' droves to be construed as the average of the total sales in the market of all hogs for a given day. All the above to be based on Chicago.

We agree that a committee shall be appointed by the Food Administration to check the daily operations in the various markets, with a view to supervision and demonstration of the carrying out of the above.

There is such a committee in Chicago, of which Mr. Brown, the head of the Live Stock Association, is the chairman, composed of representatives of the Food Administration and Army and Navy men, I think, and several others, whose duties it is to see that this is carried out as far as possible.

Mr. ESCH. That is Mr. Brown, of the Live Stock Exchange?

Mr. GLASGOW. Yes; I think that is his name, sir. [Reading resumed:]

The ability of the packers to carry out this arrangement will depend on there being a normal marketing of hogs, based upon the proportionate increase over the receipts of last year. The increase in production appears to be a maximum of about 15 per cent, and we can handle such an increase.

This, a communication from the packers to the Food Administration, in view of the recommendation of this committee of producers. [Reading resumed:]

If the producers of hogs should—as they have in the past few weeks—prematurely market hogs at such increasing numbers over the above it is entirely beyond the ability of the packers to maintain these minimums, and therefore we must have the cooperation of the producer himself to maintain these results. It is a physical impossibility for the capacity of the packing houses to handle a similar overflow of hogs and to find a market for the output. The packers are anxious to cooperate with the producers in maintaining a stabilization of price and to see that producers receive a fair price for their products.

(Signed) THOS. E. WILSON,
Chairman, Packers' Committee.

That plan was submitted to the Food Administration and to the swine producers and in conference approved—the names of the conferees I have already referred to—and I ask that this whole memorandum be put in the record.

(The remainder of the memorandum referred to is here printed in full, as follows:)

The plan embodied above was adopted by the conference.

The Food Administrator has appointed a committee comprising Mr. Thomas E. Wilson, chairman of the packers' committee; Mr. Everett Brown, president of the Chicago Livestock Exchange; Maj. Roy, of the Food Administration; Mr. Louis D. Hall, of the Bureau of Markets, to undertake the supervision of the execution of the plan in the various markets. Commission men are asked to cooperate in carrying out the plan embodied in the packers' agreement. It must be evident that offers by commission men to sell hogs below the minimum established above is not fair either to the producer or the participating packers. Mr. Brown has undertaken on behalf of the commission men in the United States that they will loyally support the plan.

It is believed by the conference that this new plan, based as it is upon a positive minimum basis, will bring better results to the producer than the

average prices for the month. It does not limit top prices and should narrow the margins necessary to country buyers in a more variable market. It is believed that the plan should work out close to \$18 average.

Swine producers of the country will contribute to their own interest by not flooding the market, for it must be evident that if an excessive overpercentage of hogs is marketed in any one month, price stabilization and control can not succeed; and it is certain that producers themselves can contribute materially to the efforts of the conferences if they will do their marketing in as normal a way as possible.

The whole situation as existing at present demands a frank and explicit assurance from the conferees represented, namely, that every possible effort will be made to maintain a live-hog price commensurate with swine-production costs and reasonable selling values, in execution of the declared policy of the Food Administration to use every agency in its control to secure justice to the farmer.

The stabilization methods adopted for November represent the best efforts of the conference, concurred in by the Food Administration and the live-stock subcommittee of the Agricultural Advisory Board, together with special swine members and the representatives of the packers, to improve the present unsatisfactory situation which has unfortunately resulted because of the injection of uncontrollable factors.

We ask the producer to cooperate with us in a most difficult task.

The members of the conference were:

Food Administration: Herbert Hoover, F. S. Snyder, Maj. E. L. Roy, and G. H. Powell.

Department of Agriculture: Louis D. Hall and F. R. Marshall.

Producers: H. C. Stuart, Elk Garden, Va., chairman Agricultural Advisory Board; W. M. McFadden, Chicago, Ill.; A. Sykes, Ida Grove, Iowa; John M. Evard, Ames, Iowa; J. H. Mercer, Topeka, Kans.; J. G. Brown, Monon, Ind.; E. C. Brown, president Chicago Live Stock Exchange; N. H. Gentry, Sedalia, Mo.; John Grattan, Broomfield, Colo.; Eugene Funk, Bloomington, Ill.; Isaac Lincoln, Aberdeen, S. Dak.; C. W. Hunt, Logan, Iowa; C. E. Yancey and N. R. Dodson.

Packers: Thomas E. Wilson, F. W. Waddell, G. F. Swift, Robert Mair, Arthur Meeker, J. A. Hawkinson, G. C. Shepard, E. S. Waterbury, L. F. Freeman, F. T. Fuller, T. W. Tallafero, S. Nash, and others.

The result was that Mr. Hoover, as Food Administrator, after conference with producers and packers, for the month of November approved the price of \$18.50, and he said that he would endeavor to secure orders from abroad that would enable the packers to pay \$17.50 to the producers and a profit to the packers not exceeding the maximum allowed, and that was agreed to for the month of November.

Now, sir, in a similar meeting of people representing exactly the same interests the agreement was made for \$17.50 for the month of December, a similar meeting in December composed of representatives of the same people the price was fixed at \$17.50 for the month of January, and a similar meeting in January—on the 28th—at the Food Administration of the packers and producers the price of \$17.50 was again arranged for the month of February, and we contemplated making the same kind of arrangement until the pigs farrowed in the spring of 1918, to which our assurance applied, has been carried out in good faith to the producer.

Mr. Chairman, that is the relation of the Food Administration to the packers from beginning to end, the whole of it; and I wanted you to have on the record exactly what it was.

The CHAIRMAN. We are much obliged to you, but perhaps some members of the committee would like to ask some questions.

Mr. GLASGOW. Yes, sir. And I want to say that the only agreement we have with the packers, or ever have had, was an agreement—

and we had to bring the packers in if we were going to supply this country and our allies with pork—that we would endeavor to secure orders from Europe at a price which would enable them to pay the price to the producer which these committees had ascertained to be a reasonable and fair price.

The CHAIRMAN. And looking to the stimulation of production?

Mr. GLASGOW. Exactly.

Mr. ESCH. There was testimony presented with reference to the operation of the Bureau of Farm Management in determining the cost price of beef, and it was stated that that investigation was not completed, notwithstanding the fact that Secretary Houston had in January or February last telegraphed to the Live Stock Association, which was in convention in Lake City, that the Farm Management Bureau was investigating the cost of beef, and that the reports would be forthcoming and probably would be concluded by the 1st of July. It is stated that that investigation was not completed or, in fact, in certain lines has not been undertaken.

Mr. GLASGOW. To define the cost of producing beef?

Mr. ESCH. Yes. Have you any information with reference to that?

Mr. GLASGOW. No, sir; I have not. Mr. Esch, I know that when I came down here for the first four or five or six months we had a great deal of anxiety and trouble about the cattle raisers, and we did everything in the world that we could to help out the situation, and they were in serious difficulties at times, especially the people who were feeding cattle and preparing the finest class of cattle. I have not heard of any trouble about cattle raisers since, perhaps, last April, May, or June. I have not heard anything in connection with it down at the Food Administration.

As far as ascertaining the exact cost of raising cattle, I do not know a thing on earth about that or of the incident to which you refer. If it is a matter of importance I would have it looked up in such records as may exist on the subject.

Mr. ESCH. The testimony seemed to place the Secretary of Agriculture in rather a bad light, and it was on that account that I thought his attitude ought to be made clear to the committee.

Mr. GLASGOW. Of course, I would not have any way of getting at that. I never heard of the incident to which you refer.

Mr. STEPHENS. Mr. Glasgow, I suppose you know Mr. Henry Wallace, editor of Wallace's Farmer?

Mr. GLASGOW. I met him here, sir, last winter, I think it was, or spring.

Mr. STEPHEN. I received yesterday an editorial from the paper, and I presume it was sent to all Members of Congress, in which he points out from month to month the price of pork and fixes the difference between the promise of the Food Administration to maintain the price of pork at a ratio of 3 to 1. He shows in that statement that in every single instance, I think, the price of hogs was some \$2 a hundred less than what they would have been had the Food Administration carried out its promise to maintain the ratio of 3 to 1. You do not happen to know what that complaint was?

Mr. GLASGOW. I know that Mr. Wallace, whom I have talked to, is a man of intelligence, and I liked him very much from what I saw

of him. But I know he is a critic of the Food Administration. I think he does not agree that they have been of very much value to the country. I have not seen that particular editorial. Was he speaking of the retail price of hogs?

Mr. STEPHENS. The wholesale price of pork.

Mr. GLASGOW. Mr. Stephens, I do not know anything about what was the difference between the wholesale price of meat and the price of hogs, but this is correct, that he is mistaken in thinking that we made any absolute agreement to maintain 13 to 1.

Mr. STEPHENS. He refers only to your promise to do as best you could, and that you had not done so, he contends that you did not do so.

Mr. GLASGOW. I do not know whether 13 to 1 exactly was maintained. I do know that it was the best that we could do, and that our assurance was that we would do the best we could to maintain about 13 to 1, and that is the language, sir. Let us get that right.

Mr. STEPHENS. Of course this 17½ at the present time is not at the ratio of 13 to 1, is it?

Mr. GLASGOW. Sir?

Mr. STEPHENS. This present price of hogs is not on the ratio of 13 to 1.

Mr. GLASGOW. No; it is not.

Mr. STEPHENS. It is away below that.

Mr. GLASGOW. Yes, sir.

Mr. STEPHENS. That is to say, if the price of hogs was based on the ratio of 13 bushels of corn—

Mr. GLASGOW (interposing). I am not prepared to say, but I am inclined to think the price of hogs would be about \$17.50, if based on the price of corn.

The CHAIRMAN. The price of corn has declined?

Mr. GLASGOW. I am not certain, because a few days ago it had been more than \$17.50. You see our assurance was that we would endeavor in every way to see to it that the producer did not get less than a minimum of \$15.50. I say that since that assurance was given in November, 1917, the producer has never gotten less than \$15.50 per hundred pounds for hogs, and that he has gotten as near to 13 to 1 as could be brought about.

Mr. STEPHENS. You do not agree with Mr. Wallace, then, in his plain insinuation or statement, in fact, that the Food Administration had not carried out its promise to the producer.

Mr. GLASGOW. I do not agree to that, sir.

Mr. STEPHENS. You think it has been carried out literally?

Mr. GLASGOW. Yes, sir; because our agreement was that we would do everything to maintain a minimum of \$15.50. We never made an agreement that we would make it 13 to 1, but a minimum of \$15.50, and 13 to 1 was one of the guiding elements in determining the minimum which we gave assurance for.

As far as I know, the swine producers all over the country are satisfied with the way we have carried it out. The Stuart committee, and the hog producers who were associated with it here in their meetings here with us the other day clearly agreed that the Food Administration had done its best and had carried out its assurance to the hog producers.

Mr. STEPHENS. And will not your statement in the record show that this particular charge that Mr. Wallace made would be at least rebutted?

Mr. GLASGOW. I have not seen that statement of Mr. Wallace, but I want it distinctly understood that my position is, and I believe it can be demonstrated, that we have carried out every assurance we made, which was an assurance that not less than \$15.50, and that the 13 to 1 was one of the elements, and that we would come as near to 13 to 1 as we could.

Mr. Chairman, I want to say another thing, hogs got up in August to \$20, and the producers' committee of the Agricultural Advisory Committee and the swine producers that were consulted were apprehensive about that price being too much. England would not take pork, we were afraid, on any such basis as that. They could not afford to do it; they could not pay for it, and it was felt that that price ought to be reduced, and I think the swine producers themselves agreed that it ought to come down to somewhere below 19.

Mr. WINSLOW. The price of corn given here is \$1.26 to \$1.28. If it was \$1.20, it would be \$16.90?

Mr. GLASGOW. Yes, sir; but that is the Chicago price. The price we are talking about is the farm price—the average farm price in the eight States.

Mr. STEPHENS. Is that where the disagreement comes as to the promise of the Food Administration? Do they not charge that the Food Administration took the farm price when they had understood it to be the market price?

Mr. GLASGOW. Oh, no. You see, Mr. Stephens, taking the farm price was to the producer's interests, because at the farm he gets the Chicago price plus the freight.

Mr. STEPHENS. I did not know but what they might have made this price Mr. Wallace is contending about.

Mr. GLASGOW. No, sir.

Mr. WINSLOW. The price if it went into hogs would be \$18?

Mr. STEPHENS. To-day?

Mr. WINSLOW. Yes, sir.

Mr. GLASGOW. That \$17.50 was fixed for the month of November as a stabilized price, because the producers were afraid that on a basis of 13 to 1 it would be less.

Mr. WINSLOW. And it would, of course, be less?

Mr. GLASGOW. Perhaps it might have been.

Mr. WINSLOW. And it would be less now?

Mr. HAMILTON. Mr. Glasgow, do you know anything about the prices paid by the packers in Argentina, Uruguay, and Paraguay, say, in 1918, for hogs?

Mr. GLASGOW. No; I do not, sir. I do not know a thing about that.

Mr. HAMILTON. They have been selling the product directly on the European market, have they not?

Mr. GLASGOW. I really could not tell you that, sir.

Mr. HAMILTON. I mean the packers.

Mr. GLASGOW. I really could not tell you that, sir, because I have been speaking almost entirely from records and from my personal knowledge of what was going on down there. But as to the question of prices in Argentina or where Argentina is shipping, I have no knowledge.

Mr. HAMILTON. My purpose was simply to compare, in a general way, if possible, the prices they might be making on stock on the hoof in South America as compared with the profits that they were making here under the direction of the Food Administration.

Mr. GLASGOW. I could not give you any information on that at all.

Mr. SANDERS. This morning you started out your testimony by reading a letter from Mr. Hoover which was introduced before the Senate Agricultural Committee. I have read that letter, and it is published in a pamphlet and contains the reply of Mr. Lasater to that letter.

Mr. GLASGOW. That is what I said—we did get a reply.

Mr. SANDERS. Do you not think, in fairness all around, to the committee and to Mr. Lasater, that it would be a proper thing to insert Mr. Lasater's reply?

Mr. GLASGOW. I have not the slightest objection to doing so.

Mr. SANDERS. So that we might have the letter.

Mr. GLASGOW. I have but one copy, and it is the only copy I have.

Mr. SANDERS. I have a copy in my office of both letters—the Hoover letter and the Lasater letter.

Mr. GLASGOW. I have but one copy.

Mr. SANDERS. Do you not think it would be fair to insert Mr. Lasater's letter?

Mr. GLASGOW. Entirely so.

Mr. SANDERS. Then we will introduce it, Mr. Chairman?

The CHAIRMAN. You will get the letter?

Mr. SANDERS. I will get it.

Mr. LASATER. Mr. Chairman, will you allow me to say that I appreciate Mr. Glasgow giving me the opportunity to place before you these two letters. I think I am asking nothing more than is fair in requesting to read my reply to Mr. Hoover's, and call the committee's attention to the matter so that you can check it while——

The CHAIRMAN. We will consider it.

Mr. LASATER. The point I make is this: The Food Administration is about to go out of existence. You can check the facts that I state and the facts that Mr. Hoover states against the record, and find out who is making a misrepresentation. If that is delayed longer it can not be done.

Mr. SANDERS. I intend to introduce that letter this afternoon.

The CHAIRMAN. I want to ask you if in your testimony you have already given you have included that reply to Mr. Hoover?

Mr. LASATER. No.

The CHAIRMAN. Much that you introduced was not read, and so I did not know but what that was a part of the matter put in.

Mr. LASATER. Mr. Hoover is in Europe, and I do not care to take any advantage at all of that situation. I will be glad to confine my statement to Mr. Hoover's letter and as to my reply to that, but I ask this privilege so you gentlemen might check the two letters against the absolute facts.

The CHAIRMAN. Mr. Lasater's letter may go in.

Mr. SANDERS. Mr. Lasater's statement is that he would like to read it to the committee.

Mr. LASATER. I would like to call your attention to some of the discrepancies in Mr. Hoover's letter so that you may now get the exact facts.

The CHAIRMAN. You mean you want to read it before the committee has finished the examination of Mr. Glasgow?

Mr. LASATER. After you finish questioning him, I would like the privilege of reading that letter, and then you can question me.

The CHAIRMAN. You can bring it in after we have finished with Mr. Glasgow.

Mr. GLASGOW. I referred in my statement to a gentleman who was referred to in Mr. Hoover's letter, and that was Mr. Cotton. I did not have the record myself, and did not have a chance to get it, but I see that Mr. Lasater stated that Mr. Cotton was the "packer's lawyer."

Mr. SANDERS. He stated that he was attorney in the financial district of New York, and due to fact that the financial district in New York and Chicago are very closely correlated, that the connection was apparent.

Mr. GLASGOW. I saw it quoted, and I did not know whether it was true—and I so stated—that it was charged that Mr. Cotton was a "packer's lawyer." I hope that the gentleman did not state that, and if he did not what I said about Mr. Cotton has no application.

Mr. SANDERS. I want to find out the facts.

Mr. GLASGOW. I will give you all the facts I have.

Mr. SANDERS. I know you have no interest in it, and neither have I, but sitting here as a judge I want to know which one of the gentlemen are making misstatements, if either.

Mr. GLASGOW. All right.

Mr. SANDERS. It is very often that men recollect things and say things in an opposite way, and neither one are mistaken from their own standpoint.

Mr. GLASGOW. Exactly, sir.

Mr. SANDERS. About this hog price: The proposition, as I read the document that has been introduced before us, was that 13 and a fraction bushels of corn were necessary to maintain the normal hog supply, but the committee recommended a 14½ bushel to the 100-pound hog, in order to increase the pork supply up to what the Food Administration said itself was necessary?

Mr. GLASGOW. Exactly. The statement was that they thought, in order to bring the production back to normal, it would be required that the price be the value of 13.3 bushels of corn per 100 pounds of average hog. The increase of production of hogs over normal 15 per cent would require a basis of 14.3. But the basis we used practically increased the hogs by 15 per cent, or from 8 to 15 per cent.

Mr. SANDERS. The farmers of the country not only maintained the normal, but, acting under the views, and, you say, solicitation of the food control, actually increased the normal by 8 to 15 per cent.

Mr. GLASGOW. I think that is correct.

Mr. SANDERS. They did not and never have gotten anything like 14.3 bushels to the 100 pounds of hog, although they carried out the solicitation of the Food Administration.

Mr. GLASGOW. I think that is correct.

Mr. SANDERS. Taking, Mr. Glasgow, the whole of the year, 1918, that is, the hogs that were farrowed in the spring of 1918 and which had not been sold up to this month, as a matter of fact, the farmer has not realized 13 to 1, has he?

Mr. GLASGOW. You mean on an average or at times?

Mr. SANDERS. No; I am taking the whole period; he has not realized 13 to 1.

Mr. GLASGOW. Mr. Sanders, I would be afraid to say on that as to whether he had or not. My impression would be that he had not, but I would not like to state that as a fact.

Mr. SANDERS. As a matter of fact, he has not anywhere equaled that. Now, on to-day's quotation, he is getting better than 13 to 1, but he is not getting it because he has already fed higher-priced corn into that hog that is being sold; is not that true?

Mr. GLASGOW. That is quite right. As I say, the price in August got up to something over \$20. I do not know what the price of corn was then, and whether that was 13 to 1 or more or less, and I am afraid to say as to the whole proposition.

Mr. SANDERS. Corn was selling at over \$2.

The CHAIRMAN. Not the price of corn out west?

Mr. SANDERS. Yes, sir.

Mr. GLASGOW. I can not tell you. But I still stick to my position that the assurance we gave was that it should not be less than \$15.50, and the recommendation of the hog-producing committee was \$16 as an emergency price.

Mr. SANDERS. Mr. Glasgow, you are familiar with the proposition, and I just want to ask you this question: Do you think normally the farmers of this country would have produced hogs to the extent that they did produce them for, namely, \$15.50, under the prevailing prices of feedstuffs?

Mr. GLASGOW. I can not judge about that, Mr. Sanders, because I think that a very potent factor in what they did was their patriotic purpose of aiding in a great exigency. I think a great deal of it was due to that.

Mr. SANDERS. I agree with you.

Mr. GLASGOW. I am not sufficiently familiar with the situation to know whether they would have produced as many hogs at \$15.50. The hog producers committee recommendation was an emergency price of \$16, and our assurance was on the basis of a minimum of \$15.50. Whether they would have produced as many at \$15.50 I am doubtful about; but I do believe that a great deal of the increase—while they may have made some money, probably made it, and ought to have done it, and I think the best safeguard in this country is that the farmer after this war comes out with some money in bank, and I hope he has got it, and he ought to have it—at the same time I think their patriotic interest in what was before us was a very potent factor in what was accomplished.

Mr. SANDERS. The statement as made by yourself a few minutes ago about the patriotism of the packers—I want to ask you this question: The patriotism of the packers I concede, but that patriotism, according to the packers' own showing, is plus a large profit. How about the patriotism of the farmer?

Mr. GLASGOW. I am not comparing them one way or the other, sir. I just felt that while I was on the stand here that it was proper for me to say, just as I had stated as to the producer in no unqualified terms, that, so far as I knew, the packer, under serious difficulties of transportation and labor, after that letter of the President, which was communicated to them, had, as far as I could see, discharged their patriotic duty. I have nothing to do with the packer's previous

history or his connections with matters which have been referred to, and I am not the champion of the packing interests or of anything connected therewith, but I think they carried their patriotic duty of getting the food distributed just as the farmer got it to the packer. That is all I have to say.

Mr. SANDERS. The farmer raised the foodstuff without any guaranty of a profit?

Mr. GLASGOW. Yes, sir. And we did not make any guaranty to the packer, either. We said to them, You may have a profit if you can make it on the basis we arranged, provided you do not exceed 9 per cent on the investment.

Mr. SANDERS. Mr. Glasgow, as a matter of fact you knew what the packer was going to pay for the hogs, did you not?

Mr. GLASGOW. Yes, sir.

Mr. SANDERS. You controlled through your organization all of the buying across the seas, did you not?

Mr. GLASGOW. I think we did.

Mr. SANDERS. Could you not, therefore, and did you not, and very properly, fix the selling price for the packers abroad so that he would make a profit?

Mr. GLASGOW. We tried to, sir.

Mr. SANDER. And you did do it, because his statements show it.

Mr. GLASGOW. Yes, sir; we hoped so; but, as I say——

Mr. SANDERS. I am not complaining.

Mr. GLASGOW. I know you are not. You want the attitude, and that is entirely right. This is the fact: In arranging what was the price at which the pork could be sold we had to bear in mind—and it was borne in mind—as to what our allies could pay. In other words, people in England could not afford to live off of pork meat if it got too high, and therefore we could not insist upon their giving us orders at a price they could not afford to pay. At the same time it was our desire that the packers should make a reasonable profit on this, because that was the incentive to them to buy at the price which had been arranged as a fair price to the farmer, and that fair price to the producer, as we looked at it, made more hogs and assured the food supply for ourselves and our allies. That is the whole process of reasoning.

Mr. SANDERS. But, Mr. Glasgow, admitting that you fixed the price at which the packer should buy his raw product, the hog, and admitting that you controlled the purchasing and, therefore, fixing the price at which he sold his product, it follows necessarily that you not only could make him a profit during the year 1918?

Mr. GLASGOW. We did endeavor to get orders for him, which, I believe, was on a basis higher than he paid for his pork. But I believe it was within the limitations and well within the limitations of profit which we had fixed.

Mr. SANDERS. Admitting——

Mr. GLASGOW (interposing). Yes, sir; and that I think is true, that we endeavored to secure orders over there at a price which would enable the packer to pay the price to the producer at a profit to himself.

Mr. SANDERS. His statement of operation during the year 1918, with your controlling the price of his raw products and fixing the price of his finished product, shows that he did make a profit?

Mr. GLASGOW. I think he did. But, Mr. Sanders, we did not quite control the price that he paid for his hogs, his raw products. We did not quite control that. We did negotiate with the producers and arrive at a basis which the producers said, or representatives that we were in conference with said, they thought was a fair price, and would return a reasonable profit to the producer. We did not control that price; it was arrived at by arrangement.

Mr. SANDERS. When I say "controlled," I mean that through the processes you indicated the price?

Mr. GLASGOW. Yes, sir; after the information had been given to us by the producer. I think that is perfectly clear.

Mr. SANDERS. I am just getting at your viewpoint. How do you reconcile, then, the price paid to the farmer for his product, which has never touched 20 cents except in one month, with the statement that has been produced before us that the packer stated in his private correspondence, one with the other, that he was selling the product of the hog based on a 20-cent price?

Mr. DECKER. Just a minute, Governor. I know you will allow me to interrupt you. Are you not confusing the statement of Mr. Wallace with the letters which Mr. Lasater introduced in which the employees of Mr. Swift used the term "large margins"? Mr. Lasater and you both will correct me if I am wrong. They did not use the word "20"; it was Mr. Wallace.

Mr. SANDERS. I am taking the whole evidence which I have here since the beginning of the hearings of the committee, and I have followed it very closely. The evidence before this committee bears out my statement that the packer was selling his products to the consumer on a basis where he should have been paying the producer 20 cents a pound. I am asking Mr. Glasgow to explain, if he can, because I want to get at why the price was 17 and 18 cents to the producer when the packer was selling his products on the basis that have been 20 cents.

Mr. GLASGOW. My explanation of that is that I do not believe he was selling it on a basis of 20 cents for hogs when he was paying \$17.50; that is what I do not believe to be a fact, and I do not believe it is reflected in the reports of profits which are made to the Trade Commission and to the Food Administration.

Governor, just let me say one thing: I probably left a misapprehension on your mind when I acceded to your suggestion a moment ago. I do not at all concede the proposition that is suggested that we fixed the price at which the pork was sold abroad. We did not fix that price. We negotiated with the allies over there to ascertain what was the price that they could afford to pay and were willing to give us orders for. But we never went to them and said, "You have got to do so-and-so," and fixed such and such a price in the sense of controlling. We did with them exactly what we did with the hog producers and with the packers. We tried to get at a price by giving them the information as to what the hogs were going to cost us, what the packer's relation to it was, the price which they were willing to pay us for the hogs; and that is what we transmitted along. We did not control that price. If the price here got too high, the British and French consumers would not use it. Therefore we did not control, but we did negotiate with them to ascertain what orders and at what prices we could put them here.

Mr. SANDERS. I admit all that. The price can be agreed on, and was agreed on, and that price was paid to the packer conditioned on what he was paying to the producer.

Now, Mr. Glasgow, I want to ask you this question: Do you know anything about what the differential or the spread has been in the last 25 years between the hog and pork, as compared to what it was 25 years ago?

Mr. GLASGOW. No; I do not, sir.

Mr. SANDERS. I can remember when pork sold on the hoof at 3 cents and when ordinary salt meat was sold in the retail stores for 5 cents. That was a spread of 2 cents. Does that condition prevail to-day?

Mr. GLASGOW. I have not the least idea.

Mr. SANDERS. It has grown until the differential is so much greater that we who produce the meat and buy meat can not understand that spread.

Mr. GLASGOW. I do not know the figures. I have not come in contact with it as much as you have, because in my life all I have had to do with the question of pork was to go home and eat it and to furnish the money for my wife to buy it. I remember, of course, when I was a boy of helping to raise hogs, as you did. The price of hogs now would look to me like a dream from the Arabian Nights compared with what I used to be able to get when I raised a pig as a boy.

Mr. SANDERS. Has the differential increased in an ever-increasing percentage over the increase in the price of hogs?

Mr. GLASGOW. I can not tell you that, sir, because I do not know the figures.

Mr. SANDERS. I want to get your viewpoint, Mr. Glasgow, on putting at the head of these various divisions in the Food Administration men who were interested or whose previous training had been in the very line indicated.

Mr. GLASGOW. My answer to that, Governor—and I want to say in no uncertain terms; I want it perfectly clear and distinct—that was never done in the Food Administration.

Mr. SANDERS. Who did handle, in the Food Administration, or who was the head of the compound dairy food?

Mr. GLASGOW. That was under what was known as the "perishable division"—probably a section of the perishable division. The head of the perishable division was Mr. G. H. Powell.

Mr. SANDERS. I am talking about dairy foods, not dairy products. I am talking about compound foods, such as you feed to your cattle which are milk producers.

Mr. GLASGOW. You mean like cottonseed cake?

Mr. SANDERS. The compounds of cottonseed cakes.

Mr. GLASGOW. You mean for feed purposes for cattle. I think it depended somewhat, Governor, on what the compound was. Cottonseed cake and cotton seed was under what was known as the "Cotton Seed Division," and Dr. George H. Denny, since last winter, of 1917-18—who was president of the Alabama Agricultural College—was at the head of that division. Any other compound that you will speak of—

Mr. SANDERS (interposing). I will bring it down to the facts. It has been testified to here that the president or general manager of the Quaker Oats Co. was in charge of the compound feed division.

Mr. GLASGOW. I know that is not true. I do not know who he was. What is his name? I know that is not true, because we did not have any compound feed division. We had specific divisions, and we had sections through that division.

Mr. SANDERS. Did you have a man connected with the Quaker Oats division in your food administration?

Mr. GLASGOW. Not that I know of, Governor.

Mr. SANDERS. Do you know what was his division and duties?

Mr. GLASGOW. Not that I know of. If you will give me his name I could probably tell. I do not know. But I know this that the Food Administration was organized on the basis that the heads of the divisions like Canned Goods Division, the Cotton Seed Division, the Perishable Division was to have no interest whatever or not be connected in any way with the trades which were under that division.

Mr. SANDERS. The name of the man I have referred to has been suggested to me by Mr. Hamilton. His name is Chapman, of the Quaker Oats Co.

Mr. GLASGOW. I never heard of him, sir, and do not know him. I will not assert that he was not there, and I will not assert what his connection with the Quaker Oats Co. was or anything else. But I do not know of him. Is there anybody here who can give me any information?

Mr. SANDERS. I would like to find out officially from the Food Administration whether a Mr. Chapman, connected in some official capacity with the Quaker Oats Co., had any connection with the Food Administration, and if so, what?

Mr. GLASGOW. What that connection was—yes, sir; I will be glad to.

Mr. WINSLOW. I understand you say that the pork in the early days went to the retailer at 3 cents a pound?

Mr. SANDERS. I said I have bought much of it at 5 cents a pound, and at that time hogs were selling on the hoof at 3 cents a pound.

Mr. GLASGOW. Let me explain to you how our rules and regulations and orders of the Food Administration were arrived at.

We would first have a section of a division. There may have been men in that division who were used in a subordinate capacity who had had and perhaps then had connection with the trade in some way. The only way we could get information as to what was necessary to do was in that manner. If anybody in that division or anywhere else came to the conclusion that a rule ought to be made applicable to anything covered by that division, he would take it up with his division head, who was a man who had no connection with any of the trades covered by that division. I am speaking about the rule. If anything has crept in, I do not know it.

Then that head of a division would take it up with what is known as the rules committee, of which I was chairman since I have been there. Frequently my duties did not permit me to act at the meeting, and I had Mr. Taft, my assistant, be there, and he prepared the rules that might be put into effect.

At the meeting of the rules committee, which was composed of the heads of all the divisions, the reasons for the rule was gone into and perhaps the man sent for who had any information on it, and why it was necessary, and he was examined and cross-examined as to what was the necessity for it, and if that rules committee came to

the conclusion that it was a necessary and proper rule they would recommend it, and then it would go up to Mr. Hoover with the reasons why it was necessary to put this rule or regulation in effect, and in the final analysis he passed upon it and signed and put out such rules as were put into effect.

Mr. SANDERS. There has been stated—and I am asking these questions to clear up—

Mr. GLASGOW (interposing). I want you to do it.

Mr. SANDERS. It was stated here that an employee or an official of Libby, McNeil & Libby, which is a subsidiary corporation of Swift & Co., was in charge of the poultry division of that organization.

Mr. GLASGOW. No, sir; that is not accurate. This man Priebe was referred to in Mr. Hoover's statement. He was an officer and stockholder of Priebe & Co., not of Libby, McNeil & Libby, but of Priebe & Co. Swift & Co. were also stockholders of Priebe & Co. Mr. Priebe drew a salary as an officer of Priebe & Co. Mr. Hoover told Mr. Priebe that he must disassociate himself as an officer of Priebe & Co., and Mr. Hoover was told, as he states in this statement, by Mr. Priebe that he had resigned as an officer, although he still had a stockholding interest in it.

Mr. Priebe was at the head of what is known as the poultry section of the Perishable Division, of which Mr. Powell, whom I mentioned a moment ago, was the head. Mr. Powell was the representative of the Cooperative Fruit Producers of California. That was his business. He came here at the head of the Perishable Division. He had no connection whatever with the question of prices of poultry or anything else. Priebe's duties were to go between the trade and the Food Administration, interpreting the rules and policies of the Food Administration to the trade and getting their reflex as to whether they were satisfactory or whether they wanted something else, and bringing it back. He had no more power to fix the rule or regulation for the Food Administration, or price, and never did it or attempted to do it, than anybody you may mention out in the street. He had no power whatever in that connection and never undertook to exercise any.

When Mr. Hoover's statement went in there had no malfeasance ever been charged against these people. There were two people that were charged afterwards in recent testimony. I do not believe it is proper for me to state where it was done and who testified, but it was before a committee.

Mr. SANDERS. Go ahead and state it.

Mr. GLASGOW. Well, Mr. Heney charged before the Senate Agricultural Committee that Mr. Priebe had issued a rule that the cold-storage people should not loan but 70 per cent of the value of poultry when it went in cold storage, and that he had issued an order that all the poultry in storage in the fall of 1917 should be sold on the market. And that by reason of these two orders Swift & Co.—the inference was—had been enabled to buy fresh poultry at a very low price and put it back into storage.

I examined both of those questions when I saw those charges. The rule as to loans of 70 per cent on storage poultry Priebe had no more to do with than you did. It was a rule which the Cold-Storage Section of the Food Administration had recommended, and they did it at the instance—and the records show it—they did it at the instance

of a committee of 10, nine of whom were present, representing the cold-storage plants throughout the country, and they did it for the reason that there had been for years a bitter controversy among the cold-storage people as to cold-storage plants themselves being interested in the poultry business, and they would lend some fellow 100 per cent on his poultry, and take an interest with him, or they would pay him a commission and loan him 100 per cent in addition to buy poultry and put it in, and take an interest with him. And they were intent upon breaking up that practice and preventing the speculation which naturally followed the loaning of 100 per cent on poultry, and they recommended it to the Food Administration, to Mr. Horne, who was the head of the Cold-Storage Division, who took it up with the rules committee, and that 70 per cent was put into effect, and it was a righteous rule to prevent cold-storage speculation.

Mr. SANDERS. That is a very illuminating statement.

Mr. GLASGOW. As to ordering out all the poultry, that was in the fall of the year 1917, that was in storage: I looked that record up, and I found that Priebe's connection with it was this, that in November, 1917—and I premise this by stating that a great many of the States of the Union have a statute which forbids the retaining in cold storage any food product for a longer period than a year. Massachusetts has it, my own State of Pennsylvania has a similar statute. There are a number of them—because the food deteriorates in value after one year, it is stated. It developed that the poultry pack goes into storage in the fall, up to the 1st of February, and a large amount of poultry had gone into storage prior to February 1, 1917, and during the summer of 1917 it had not gone out as it normally did, on account of the high price of poultry; and in the fall of 1917 there was a very large amount of poultry in the storage plants. And in November, 1917, Priebe wrote a letter to my first assistant, Mr. Taft, saying to him that he understood that people who had poultry in storage which had been stored prior to the 1st of February, 1917, proposed to carry that poultry over through the summer of the next season, 1918, and thereby the value of the poultry would deteriorate; and he asked Mr. Taft whether under the food act that would be construed as hoarding if they carried it over through the two seasons instead of one. The written opinion of Mr. Taft, which I read to the committee of the Senate, was to the effect that if they undertook to carry that poultry over two seasons—1917 and 1918—that it would be and ought to be considered hoarding under the sixth clause of the food act, which provided that only a reasonable amount of food—and seasonably—could be kept in storage, and advised him that it was illegal; and also advised him if it was attempted on the part of the storage people that the Department of Justice ought to institute prosecutions against it.

I may say that in Massachusetts and Pennsylvania, in the month of January which followed, prosecutions in the State courts were instituted against Armour & Co. and somebody else for going beyond the year period.

When Priebe got that letter he took it up with the head of his division, Mr. Powell, and told him what the facts were in connection with it, and went over it with him, and Mr. Powell agreed with Priebe that the cold-storage people and people who had poultry in

storage ought to be directed to take that stuff out of storage and put it on the market in such a way that it would not be there over two seasons, or so it would come out in a reasonable and normal way. And as a result of that, the rules committee approved a rule to that effect, and the following letter was sent out by the United States Food Administration, poultry section, by Mr. Priebe, addressed to the trade. (Reading:)

We are advised by our legal department that the carrying of last year's stock beyond the present packing season—

That is, stock prior to the 1st of February, 1917—

constitutes a violation of section 6 of the food-control act, which prohibits hoarding. The Food Administration, however, in order to provide for the equitable distribution of these foods to the consumer are therefore informing all dealers that no action will be recommended by the Food Administration, provided that at least half of the turkeys are disposed of before Thanksgiving and the remaining half before January 1, 1918. And, provided, that the other poultry shall be disposed of before March 1, 1918; at least 30 per cent during November and December, 30 per cent during January, the balance during February.

We inclose herewith form report blanks to be returned to this office on December 1, 1917, January 1, February 1, March 1, 1918, respectively.

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION,
By W. F. PRIEBE,
Poultry and Egg Section, Perishable Foods Division.

Now, Mr. Chairman, that was the reason why it was done. It was because it was thought and believed, as I believe now, that the holding of poultry in storage which was packed in storage prior to the 1st of February, 1917, beyond the 1st of March, 1918, was prejudicial to its nutritive value; that it was in opposition to section 6 of the food-control act, and was unlawful, and that is the reason it was done. But when it was done it was ordered out from month to month from November up to the 1st of March.

I ask you, gentlemen, upon that statement of facts, which are of record, if there is anything upon which to predicate a statement that that was done in the instance of Mr. Priebe to force it on the market, and break down the price of green poultry in the interest of Swift & Co. buying it in at a low cost. That is the whole thing.

Mr. SANDERS. I am just asking you, did that have any effect one way or the other upon live poultry?

Mr. GLASGOW. I can not answer that, because I do not know whether it did or not. I never heard that it did, and we would have been advised, I think.

Mr. Chairman, those are the only two instances of allegations as to this man Priebe doing wrong. He wrote a number of letters which were sent to me by the Trade Commission which I would not have written and perhaps you would not have written. But after going over those letters and going over his record, as I did at the suggestion of the Trade Commission, whom Mr. Heney was conducting an investigation for them, I could not see that I could say that that evidence before me showed that Priebe was a dishonest man, and I declined to recommend to Mr. Hoover his dismissal, which would have branded him as a dishonest man. That is the whole situation as to Priebe. And all I have to say in conclusion, Mr. Chairman, is this: That my associates—one of whom is with me, and who have

been with me for a year or more—whatever you may think of our policy, whether you approve what we have done as business policy or discretion, that when we end here we do not want charges brought indiscriminately and without proper consideration affecting the integrity of the men who have worked here at a sacrifice to themselves.

Mr. SANDERS. Particularly, you do not want those charges brought without an opportunity of denial?

Mr. GLASGOW. Exactly, and that is why I asked an opportunity and came here to bring them before you.

Mr. SANDERS. I have not finished.

The CHAIRMAN. It is now five minutes after 1, and the committee will take a recess until 2 o'clock this afternoon.

(Thereupon, at 1 o'clock and 5 minutes, the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. Mr. Sanders, you will proceed with your examination.

STATEMENT OF MR. WILLIAM A. GLASGOW—Continued.

Mr. SANDERS. Mr. Glasgow, in referring to the fact or nonfact of Mr. Lasater's knowledge, you, of course, were not connected with the Food Administration at the time he was?

Mr. GLASGOW. No, sir; I was not. I never met Mr. Lasater. I have seen him around here. I would know him if I saw him, but I never met him down there.

Mr. SANDERS. You don't know then, of your own knowledge, of any of the conferences that took place between him and Mr. Hoover?

Mr. GLASGOW. I do not, sir. All I know is that Mr. Lasater and Mr. Pinchot and Mr. Hoover could not get along.

Mr. SANDERS. Something has been said about Mr. Brooks. He is no longer connected with your department?

Mr. GLASGOW. No, sir. I had a talk with Mr. Brooks when the situation came out. Mr. Brooks's connection with the Food Administration I knew of. He was engaged in the transportation department of the Food Administration. His duty was to see that cars of food were moved to tidewater, and that the cars were properly delivered to shippers, so as to keep the food moving. I had a talk with Mr. Brooks, in which I told him that he must entirely disassociate himself from any pay of the packers, although it was known that he came there from Swift & Co. for that specific transportation purpose. He told me that he had, and that he was being paid either by the Railway Administration, which was interested in the question of transportation, or by the Food Administration. I don't know whether that was the fact or not. I know that Mr. Brooks was greatly distressed by the attack that was made on him in the Chicago papers, in connection with the investigation being held there at that time, and that shortly after that he left and went back—I don't know whether to Swift & Co. or where it was.

Mr. SANDERS. You don't know what his present employment is?

Mr. GLASGOW. No, sir; I do not. I do not know what became of Mr. Collins. I understood he left, and he may have gone back to his former employment. I understood that Mr. Heyle left and went into some other business. I don't know what became of him. And Mr. Priebe, I would state to you gentlemen, remained with the Food Administration until a few weeks ago, when he left, when that division of the Food Administration was wound up.

Mr. SANDERS. Now, I want to ask you, Mr. Glasgow, some questions for the record. I want to get these matters straightened out in your mind and mine both. You have been the general counsel of the Food Administration since January, 1918?

Mr. GLASGOW. January 25, 1918.

Mr. SANDERS. A little over a year.

Mr. GLASGOW. Yes, sir.

Mr. SANDERS. Aside from the question as to the good or the evil accomplished by the Food Administration, and aside from the question of their business policies, and aside from the question as to whether those policies have been for the best or the worst interests of the country, what is your opinion as to the honesty, the motive, and the sincerity of purpose of the men that you have met in that division?

Mr. GLASGOW. Well, now, Governor, I want to say that from Mr. Hoover down I have never come in contact with men of higher purpose, and rarely of as high purpose, as the great majority—and I would say I have nobody in mind to make any exception of the men I came in contact with at that administration. They are men who made personal sacrifices, and a number of them that are there now are very anxious to get home; and I would stake anything I have on their honesty of purpose and the fact that they were there simply from a patriotic desire to try and help along. Now, I don't want to talk about myself—

Mr. SANDERS (interposing). You had better, because my next question is going to be about you.

Mr. GLASGOW. My situation was that I had the year before made enough money that would enable me to come to Washington for this service. I was beyond the war age; there are only two boys of my name and blood who are of the war age; they have both been in France; my wife was a Canadian, and nearly every one of her friends of war age was in the war, or have been in it and "gone west," as they would say; and when that call came I wanted to do what I could, and came here. Since the day I landed in Washington I have never received a dollar of any kind or character, directly or indirectly, in any way, traveling expenses or hotel bills or anything else, from the Food Administration or from the Treasury of the United States or from any interest of any kind or character. I have paid all out of money that I earned, and properly earned, before I came. And that is the situation. I believe, of every man that was there, apparently as volunteers. I could name them to you, sir, that I know, who have sacrificed.

Mr. SANDERS. Do you belong to that class of gentlemen that is referred to as "dollar-a-year men?"

Mr. GLASGOW. I suppose it is a dollar a year. I don't think we will ever get it. I would like to have that dollar. My wife would like

to have that dollar, but I don't think we will ever get it. I belong to the class that came here as volunteers, expecting no compensation, no reward, and whose only desire now is to wind up the Food Administration and get back to their own personal work at home. And I may say that as far as the activities of the Food Administration are concerned, we hope that in a few weeks it will have practically wound up its activities, except in so far as it has moral contracts or express contracts which it has to carry out, and which are provided for under the act even after peace comes. They are very few. One is the sugar situation; one is making the guaranty on wheat good; one handled by the sugar board and the other by the grain corporation. We have holding over an agreement as to the rice situation and an agreement as to the cottonseed situation. With those exceptions the activities, we hope, by the 1st of March will have been accomplished, except in so far as it is necessary to dispose of furniture and the accounting and closing up its affairs. I think that is about a fair statement of our situation down there.

Mr. SANDERS. As far as your case is concerned then, judge, as I understand, you have given already one whole year of your service to the Government without any reward, not even your expenses being paid?

Mr. GLASGOW. Not any, sir; and no expectation of it, no hope for it. And I don't want it; it is my contribution.

Mr. SANDERS. Your contribution to the war?

Mr. GLASGOW. Yes, sir. Now, I am not speaking of myself alone; I know of a great many men there in the same situation. I could name them to you, and they have a great attachment, all of them, for Mr. Hoover, with whom I have been thrown in contact. I have been intimately thrown in contact with him since I have been there. When I came I told him I thought I could attend to the legal work in 20 minutes a day—what there was—with the assistance I had. He said that was not what he wanted. He wanted somebody that he could talk out questions of policy with him, and most of the time I sat opposite him at my desk, and we discussed everything. I know the man's purpose, if you could within a year judge of it, and I know his single purpose was to try to feed the people of this United States and the Allied countries in Europe; and that was his single purpose. He was a man of remarkable intellectual power; he was the most ingenious man in the devising of ways and means to meet a very difficult situation that I have come in contact with. Frequently I had to differ with him, and we argued it out. Sometimes he was right; occasionally I was right; but his singleness of purpose and his honesty of purpose I haven't the slightest doubt of any more than I have of my own existence.

Now, Mr. Chairman, he was born in Iowa. He came from Quaker people in Pennsylvania, he has told me—he don't talk much about himself, but we have talked together. He went through the schools in Iowa and went to Leland Stanford University. His wife was also born in Iowa; they met there: they were afterwards married. He graduated as a mining engineer. I don't know at what age he graduated, but he followed that profession. It has led him all over the world. He has been mining in Russia; he has had a house and lived in London; he has lived in Burma, and when the war came on

he was engaged in a mine up on the northeast corner of Burma, right along the Chinese line—a very large operation. During that period he had frequently been consulted—used as a consulting engineer in America. He has been a trustee of Stanford University. He is now 42 years of age; he has done a good deal in that time, and there is no more justice in talking about him as an expatriated American citizen than there is in any American who, having gotten his education here, followed his profession as it may open up, with the expectation of finally landing back in his own home country. I saw also a state-agent of the allies for food; that he remained the purchasing agent of the allies throughout his connection with the Food Administration, and that he now was purchasing agent of the allies for food in America. There could not have been any more misleading or false statement made as to the activities of a man. Now, I don't idolize people myself; I don't permit myself to do it. If I had permitted myself to do that I would have been on no value to Mr. Hoover. I think I can recognize his good qualities, but of the definite criticisms that I have seen as to him, personally I think that there is no one of them that has not done him a great injustice, or the tendency of which was to do him a great injustice. I am a very great admirer of him, both intellectually and as a man of character.

Mr. SANDERS. What about the charges that were made against Hoover—about his pro-British inclinations?

Mr. GLASGOW. There is absolutely nothing in it. When Mr. Hoover went over there by the direction of the President, to survey the situation and report to him as to the food conditions in Europe just after the armistice, and the proposition came up of the constitution of a food council, and the suggestion was made that Mr. Hoover would be made director general of food relief, I knew or could see from the cables that were coming that friction had developed, and I suspected that it had developed in London—in fact I saw that it had developed in London. Mr. Barnes, who is head of the grain corporation, came back a few days ago and I was talking with him yesterday to ascertain why it was that objections were raised. Apparently they objected in Great Britain to Mr. Hoover as director general, and Barnes said they had the impression that Hoover was anti-British, and that was the reason they were objecting to his being director general of relief.

Mr. SANDERS. He could hardly have been anti-British with the environment of English minds in Burma. The British people control that?

Mr. GLASGOW. Yes; and he had a good deal of difficulty with them. That is a personal matter and I don't care to go into it, but he had no more pro-British sentiments than I have. I have an abiding admiration for the British people on account of their history and their conduct in this war.

Mr. SANDERS. As between Germany and Great Britain I think one would be proud of Great Britain.

Mr. GLASGOW. I think so.

Mr. SANDERS. I know I am.

Mr. GLASGOW. Yes; I am too. But I don't think Mr. Hoover saw anything at the Food Administration but that people needed food and the question of how to get it to them.

Mr. SANDERS. Now, Judge, another question—you, of course, admit that the men connected with the Food Administration, no matter how honest and sincere their motives have been, or are, being nothing but human, they might have made mistakes.

Mr. GLASGOW. Of course, sir.

Mr. SANDERS. You don't claim any perfection in the department?

Mr. GLASGOW. Not at all, sir. And further than that, Governor, with an organization that we had of 3,000 or 4,000 men—more than that, I think—3,000 or 4,000 employees, some of them paid employees, some of them volunteers, running through every State in the Union and every county in the Union, I am not prepared to say that some unworthy person may not have gotten in. If that was the case, it escaped the vigilance of Mr. Hoover and those surrounding him. I am not prepared to say that, but I am talking about the men I came in contact with.

Mr. SANDERS. And your impression, summed up in the whole year that you have been there, is that this branch of the Government was honestly and sincerely striving for the benefit of the entire people of America and the world?

Mr. GLASGOW. Yes, sir; and the effort all the time was to keep expenses down as much as we could do. That was another feature of it.

Mr. WINSLOW. Mr. Glasgow, I would like to ask you if during the period when prices were being made as affecting the cost of live stock, there were ever registered any complaints of unfair treatment from breeders, producers, packers, middle men, or retailers, filed with the Food Commission?

Mr. GLASGOW. I think perhaps in every one of the lines that you speak of, that we may have had complaints from time to time. I don't recall any complaints that were made affecting the good faith of the administration. I know that we had in the first few months I was there, at times very tense discussion with the cattle men and with the people who were engaged in the raising of sheep, and then we had discussions frequently with the people who raised hogs, and at times people would disagree, but I have never known of any attack—I mean of the producers—of course, I have known of attacks of other people.

Mr. WINSLOW. I mean commercially, as between the prices, affecting the prices and conditions made by the Food Commission.

Mr. GLASGOW. I don't know of any. Of course, at times people would differ as to whether they were getting enough money, or the price was high enough, and they would object to it on that ground. Frequently it would be argued out and a conclusion would be reached and most of them would be satisfied if not all.

Mr. WINSLOW. Looking over, reviewing the field, or the period, would you say that anybody connected with the breeding or sale of live stock and the products therefrom had persistently, all through the period, complained that he was not getting his fair share of profit from the business he was doing?

Mr. GLASGOW. Well, I know that Mr. Lasater attacked all along, claiming that we were not dealing fairly with the live-stock interests. At times Mr. Wallace criticized the policy—I mean Mr. Wallace of the magazine you refer to—but on every question of that kind the producers were called, or representative men from all over the country

were called here to discuss it, and I don't recall any persistent claims, such as you refer to, sir.

Mr. WINSLOW. Well, am I right in interpreting your reply as meaning that each objection as it arose was virtually satisfied and passed over without carrying it all through the period?

Mr. GLASGOW. It was taken up—any complaint that was made down there was taken up, and if the conclusion was reached that it was a just complaint, we tried to correct it; if it was in our opinion, not a just complaint, we tried to discuss the thing with the man and satisfy him.

Mr. WINSLOW. I am after a little bit different information. I want to find out, if I can, if your commission could properly say that from the testimony or complaints of any of the men with whom they had to deal in the production and sale of live stock, that any group felt persistently that they were not getting a fair share of business or a fair deal?

Mr. GLASGOW. If they did, sir, I don't know of it. If they did feel that way, I don't know it.

Mr. WINSLOW. Did you have any cause to investigate the prices at which these animal products were retailed in the interests of the consumer here in this country?

Mr. GLASGOW. No, sir. You see the act under which we were acting did not give us the right to regulate the prices of retailers. The act gave us the control, as far as profits were concerned, to see that they were reasonable, wholesalers; and wholesalers were defined to be any wholesaler or retailer who did a business of \$100,000 a year or more. We had no control over the retailers.

Mr. WINSLOW. Did your commission at any time reach the conclusion that the breeder, the producer, the packer, and the wholesaler—the retailer over \$100,000—was making an excessive profit?

Mr. GLASGOW. At times we thought that at some places the profits were unreasonable, and then we would specify, after conference and investigation, what was the reasonable profit over the cost, and we would make a rule to that effect. We would put it into effect, and we would have inspectors to go around and check it up and see wherever any excess of that kind was detected, and we would undertake by withdrawing licenses to punish them.

Mr. WINSLOW. Does that apply to others than the retailers and middlemen?

Mr. GLASGOW. It applied to everybody that was under license, and they were the wholesalers and the retailers over \$100,000; to all the trades, wherever there was a margin of profit prescribed.

Mr. WINSLOW. Taken far and wide, the country over, do you feel that the consumer has a right to think that he has paid too much for the meat products he has had to buy?

Mr. GLASGOW. Well, for the meat products that he has to buy, as far as the actual figures on it are concerned, and whether they were too high or not, based upon the prices of the live stock, the margins of the packer, and the margins of the wholesaler, and the margins of the retailer, so far as they are concerned, I can not state from any information I have as to that, as to whether they are too high, but I have felt like everybody else who had to pay them—I have felt that the prices were too high.

Mr. WINSLOW. Well, isn't that the real question?

Mr. GLASGOW. But where it comes in, I don't know.

Mr. WINSLOW. Isn't that the real question—the real question we have to think about? The complaint is general. We all rather begrudge the money we give to the butcher, and so on, whatever we pay him; and so it has come to be generally believed, I think, that somebody down the line has been making an unfair profit.

Mr. GLASGOW. Yes, sir.

Mr. WINSLOW. But whether or not that is based on real facts, we don't know. That is what I am trying to find out.

Mr. GLASGOW. That is quite true, sir. I know, of course, what the price of live stock is and what they got for it. I can tell that. I know what the packers' profits are, because I know from the information I have that they have come within the maximum prescribed; and I know also that the profit the packers made was less than a cent a pound on the live stock that they killed. Now, when it gets beyond that to the wholesaler and the retailer, I don't know myself whether they were getting too much or not. I don't know.

Mr. WINSLOW. You haven't had occasion to deal with that?

Mr. GLASGOW. No; that wouldn't come within my knowledge.

Mr. DECKER. Most of your testimony has been regarding hogs. What was done to stabilize the beef market?

Mr. GLASGOW. Well, we had a great deal of trouble with that last winter and the early part of this spring, and I haven't the details, Mr. Decker, with me, or haven't them within my possession, so as to give you the details. The producers of live stock, of the cattle, for instance, were here frequently during the winter. A part of that trade was in a very serious condition on account of the high price of feed, and those that were producing the high-grade cattle were in a very dreadful situation last winter on account of the breakdown of transportation and the feed prices had gone up, and we had frequent conferences here with them, doing everything in our power, and they were satisfied that we were doing everything in our power to try and see that they got justice and to relieve the situation as far as possible. Now, all I know is that they were—the meetings that I was in were of representative men that I saw here in the cattle business, and they were reasonably satisfied that we were doing everything we could. They had considerable objection about the meatless day, and we finally came to an understanding with them as to what to do about that. As spring approached and the grass season came I haven't seen any meeting of cattle men with the Food Administration since the early part of last spring, and as far as I know I have heard no complaint about the situation. But, of course, the regulations were on as to what the packers should make upon their meat business, and I haven't heard any complaint.

Mr. DECKER. The whole theory of your department, the justification for it, was that war conditions had upset the normal law of supply and demand throughout the world?

Mr. GLASGOW. It was a war instrument.

Mr. DECKER. And that so far as human agency could do it, you tried to intervene between the abnormal conditions caused by the war, and fixed as near as you could just prices between the producer and the manufacturer and the consumer?

Mr. GLASGOW. The margins of profit, and to try to stimulate the production of the food which we thought—and which a survey of the world justified us in believing—was necessary to win the war.

Mr. DECKER. Have you had any time, or would you want to give an opinion on how that kind of a procedure would do in times of peace?

Mr. GLASGOW. Of course, sir, I am utterly and absolutely opposed to it myself when conditions are normal. I think that the business of the country ought to flow in normal trade lines, and our whole idea ever since the armistice has been just as soon as the public service would permit to close out the regulations that we have on hand—that we have had to put in, and to treat it entirely as a war instrument; and my own opinion, whether it is worth anything or not, is that there ought to be no such instrument as we have been conducting in time of peace. I don't mean by that that large, tremendous concerns, like the packers who are controlling practically—almost controlling if not controlling—the meat supply of the country, ought not to be regulated, but I am talking about the instrument that we have been using.

Mr. DECKER. Well, have you had any time to give any thought to the features of this bill, purposing to regulate the packers?

Mr. GLASGOW. No, sir; I have not. It is a pretty big subject and I have been very busy, and I had no time to do so.

Mr. DECKER. That is all I have.

Mr. SWEET. Now, it has been influentially charged here that in fact there were no restrictions placed on the profits of the packers by the Food Administration. That is to say, that in giving them 9 per cent upon their investment it allowed them to get 9 per cent upon the money that they might borrow and invest. How did you arrive at your 9 per cent?

Mr. GLASGOW. I can't tell you how that was arrived at. I know that it was after investigation, but I do not know the details of the figure 9.

Mr. SWEET. Wasn't it arrived at in conference with the packers?

Mr. GLASGOW. Arrived at in conference not only with the packers, but with anybody who could throw any light upon the subject.

Mr. SWEET. And the final decision was that 9 per cent was a reasonable amount to be allowed upon their investment?

Mr. GLASGOW. Not exceeding 9 per cent. That was the maximum. I don't mean to say that the Food Administration ever accorded with the proposition that there was to be an assurance to the packers of 9 per cent. It was only that their maximum—that they could not exceed 9 per cent.

Mr. SWEET. Now, it was also understood that they were to receive 2½ per cent on the turnover?

Mr. GLASGOW. Not exceeding 2½.

Mr. SWEET. Not exceeding 2½ per cent?

Mr. GLASGOW. Yes, sir. I think that was 2½ per cent. The regulation, as I understand it—it will be verified by the copy of the rules I put in—was that the packers on this first class could not earn a profit exceeding 9 per cent on the investment; and the other limitation was that they should not earn more than 2½ per cent on the turnover.

Mr. STEPHENS. Three and one-half?

Mr. GLASGOW. Two and one-half per cent on the turnover is my recollection.

Mr. SWEET. Yes; that is correct, $2\frac{1}{2}$.

Mr. GLASGOW. If the $2\frac{1}{2}$ per cent on the turnover was less than 9 per cent on the investment, they couldn't earn more than $2\frac{1}{2}$ per cent on the turnover; if the $2\frac{1}{2}$ per cent on the turnover exceeded 9 per cent on the investment, they could not earn more than 9 per cent on the investment. That is my understanding of it, sir.

The CHAIRMAN. Mr. Glasgow, we are very much obliged to you.

Mr. GLASGOW. I would say that is section 4. Maybe I had better read that right here:

Every licensee shall so conduct his business that the annual profit of the business defined in section 2 of this article shall not exceed 9 per cent on the investment therein as hereinafter defined: *Provided, however,* That in no case shall a profit in said business exceed the limitation based on sales provided for packing concerns having sales of less than \$100,000,000 per year.

That was $2\frac{1}{2}$ per cent on the turnover.

The CHAIRMAN. I believe now Mr. Wilson is entitled to be heard.

Mr. GLASGOW. Mr. Chairman, I am very much obliged to you, and I did not intend to take up so much time.

Mr. STEPHENS. Mr. Chairman, I think Mr. Lasater wanted to put his letter in, in answer to that statement.

The CHAIRMAN. We will, just as soon as we get through with Mr. Wilson. Proceed, Mr. Wilson. Give us your name and business.

Mr. SANDERS. Mr. Chairman, I move that following Mr. Hoover's letter, which Mr. Glasgow read, as having been addressed to Mr. Lasater, that Mr. Lasater's reply may be inserted in the record.

The CHAIRMAN. Without objection, that consent will be given.

Mr. LASATER. The reply I wish inserted is contained on pages 608 to 634, inclusive, of the hearings before the Committee on Agriculture and Forestry, United States Senate, March 19, 20, 21, 22, and 30, 1918, part 7, and is as follows:

WASHINGTON, D. C., May 13, 1918.

HON. THOMAS P. GORE,

Chairman Committee on Agriculture and Forestry,

United States Senate, Washington, D. C.

MY DEAR SIR: I appreciate the sense of fairness indicated by your furnishing me with a copy of statement filed with you by Mr. Hoover, United States Food Administrator, with the information that my reply to same would be made a part of the record of the "Increased production of grain and meat products hearings" before the Committee on Agriculture and Forestry, United States Senate. I herewith hand you my reply to Mr. Hoover's statement.

Respectfully,

ED. C. LASATER.

STATEMENT OF ED. C. LASATER IN REPLY TO STATEMENT FILED BY UNITED STATES FOOD ADMINISTRATOR HERBERT HOOVER ON MAY 1, 1918, WITH THE HON. THOMAS P. GORE, CHAIRMAN COMMITTEE ON AGRICULTURE AND FORESTRY, UNITED STATES SENATE, WASHINGTON, D. C.

It is with humiliation as an American that I am forced again to realize that a man occupying the position of Food Administrator of the United States can intentionally misstate the records of his office in an attempt to lead the public into drawing wrong conclusions, though those conclusions should take from a fellow American that which every man should hold most dear—his unquestioned loyalty to his country. The communication from Mr. Hoover in question charges me with an "unreliable memory," "misrepresentation," and with as-

sisting in the spread of "German propaganda." A correct analysis of the records of the Food Administration and of the facts connected with my exposé of the policies and practices of Mr. Hoover as Food Administrator will furnish no material which can be used to substantiate these charges of Mr. Hoover.

He is relying solely on the camouflage that his publicity bureau can create by misstatement of facts and incident to "get by." Agencies over which I have no control may be able to retard the real facts of the relations of the Chicago packer and other exploiting interests with Food Administrator Hoover from becoming public, but to the extent that concealment is practiced will the demands of a hungry Nation force the exposé of the causes of its pitiable plight. All the enemies of democracy are not facing its armies on the battle fields of Europe. To present to you a picture of the Food Administrator and his policies and practices does not permit of brevity; of necessity I must tax your patience while placing before you incident and fact that will enable you to determine justly.

On page 522 of my statement before the committee, made March 30, to which Mr. Hoover is addressing himself, I state:

"Third. Conspiracy to break the cattle market to a point below the cost of production.

"This is shown by the statement of an allied buyer to Messrs. Pinchot and Lasater on or about October 1 that—

"'Mr. Hoover had requested him to stay out of the beef market for some days, assigning as a reason that he, Mr. Hoover, thought that the beef market would go cheaper.'

"It is evidenced by the Dana Durand interview appearing in the Chicago Journal of October 6. Mr. Durand is second to Mr. Cotton in the meat division of the United States Food Administration. This interview is in part as follows:

"[Chicago Journal, Saturday, Oct. 6, 1917.]

"TEN DOLLAR AMERICAN HOG IS SOUGHT.

"E. Dana Durand, who was Director of the Census under President Taft, is working in Chicago for Herbert C. Hoover on a job which he admits is harder than taking the census. He is trying to figure out a way to bring \$10 hogs again into being in America.

"To accomplish this without resorting to maximum price fixing or interfering with the operation of the law of supply and demand, a scientific scheme of market control is worked out. Instead of being under the direction of the packers it is to be directed by the Government; to bring the hogs to market in a steady stream instead of an alternate surplus and scarcity is part of the problem. To regulate the price of corn is another equally important move.

"TEN TO ONE IS HOG-CORN RATIO.

"Ten-dollar hogs and \$1 corn is the ratio which is accepted as the one which ought to prevail and which, if it can be restored to the American livestock market, will mean more toward the happiness of the world than was ever even promised for the magic formula of "sixteen to one."

"At this date (October 6, 1917) it was costing the producers more than \$18 per hundred to produce hogs. A deluge of immature hogs and cattle were dumped on markets as a consequence of this interview. The continuance of the conspiracy is further shown by part of the following letter signed by the Cudahy Packing Co. by F. E. Wilhelm, which was read into the record at the hearing before the Federal Trade Commission in the packers' investigation at Chicago March 1, 1918:

"JANUARY 18, 1918.

"Mr. W. DEISING,

"Care of the Cudahy Packing Co.,

"South Side Station, Omaha, Nebr.

"DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

"Mr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that was the thing which absolutely must

not come about; and if it did, he would take drastic measures to prevent it. For instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were going to be correspondingly short in your branches. This would have a tendency to raise the beef market, which we all admitted, and that, in turn, the live-stock market. We all agreed that we would see that we did not pay any more for live stock.'

"This is further shown by a letter from Mr. Hoover to Mr. Lasater under date of December 4, which in part says:

"'If you resigned because we stopped meat exports during a short period of acute shortage to our own consumers, you now witness a large increase of exports to the allies as the complement of our conservation policy and our desire to support the cattle industry.'

"This statement from Mr. Hoover confirms the statement made by the allied buyer to Messrs. Pinchot and Lasater previously mentioned. But the Bureau of Markets of the United States Department of Agriculture, monthly report, shows that there was marketed during September, October, and November, 1917, more than 1,500,000 more cattle than were marketed during the same months of 1916, and on December 1, 1917, the surplus of beef in cold storage had increased over the same date for 1916, 57 per cent, which plainly shows that the 'acute shortage' claimed could not have existed. The report of the Bureau of Markets of January 1, 1918, shows 308,675,029 pounds of frozen beef in storage; the report of February 1, 1918, shows 283,671,955 pounds in storage.

"The records of the Food Administration show that there was no diminution in consumption of meat for the Nation, as a whole, during 1917, compared with 1916. The Food Administration, cooperating with the packers, did succeed in breaking the market for beef cattle from September 1 to December 1 about \$4 per hundred. The losses from December 1 to March 6, 1918, average more than \$20 per head on steers marketed."

In my letter to Mr. Hoover under date of November 12, which I attach in full, I state:

"On October 6 there appeared in a Chicago newspaper an interview with Dana Durand, an employee of the Food Administration, predicting \$10 hogs, when the present cost to the producers was between \$16 and \$17. Naturally demoralization followed in the hog market, extending as well to all classes of beef cattle. Later you advised me that Mr. Durand made no such statement, but that Jack Cudahy, who is one of the leading packers of Chicago, had put out the interview for the purpose of breaking the hog market.

"The records of the live-stock markets show that the desired result of the packers was handsomely attained, all through the interview which you stated was spuriously put out by Cudahy.

"The Food Administration and the Durand-Cudahy interview sunk more shiploads of beef and pork than all the German submarines have been able to do up to date—a loss to the whole people—that the Chicago packers might be able to garner in some millions more.

"When I realized that a few days prior to the publicity mentioned one of the large allied buyers stated to Mr. Pinchot and myself that you had requested them to stay out of the market for beef for some days, giving as a reason that you thought it would go cheaper, it is difficult to understand that the Food Administration was not in sympathy with the object sought to be attained by the Durand-Cudahy interview.

"The Food Administration took no steps to make the Nation aware of the outrage against its welfare by the Chicago packer. This lack of action can not plead ignorance as an extenuating circumstance."

To any unprejudiced mind it will appear strange that Mr. Hoover took no steps to advise the public of the connection of one of the large packers, Cudahy, with this interview.

These situations are not compatible with a sense of responsibility on Mr. Hoover's part for the Nation's welfare.

He has said "Food will win the war." Why could he not see that it was his duty to make the public aware of the facts in a plot to destroy values on so colossal a scale, the success of which inevitably meant the discouragement of the production of meat animals?

Instead of fixing the responsibility for the interview in question, he was content with disclaiming responsibility of the Food Administrator and allowing the perpetrator to go unwhipped of justice.

The relations of Dr. Durand, representative of the Food Administration, continued most cordial and cooperative with the Cudahy interests, as shown by

the letters of their several officials read into the record of the hearing of the Committee on Agriculture of the Senate by me March 30, 1918.

Mr. Hoover closes his statement by again vouching for the patriotic service rendered by the employees of Swift & Co. I give below part of the correspondence read into the record of the Federal Trades Commission's investigation of the packing industry at a hearing in Chicago February 25, 1918, as applicable to his contention.

ROOM 653, FEDERAL BUILDING,
Chicago, Ill., Monday, February 25, 1918—2 p. m.

Met pursuant to recess.

Present: Same as before.

Thereupon the following proceedings were had:

Mr. HENEX. The next batch of letters relates to the Food Administration, particularly to Chambers and F. S. Brooks. Mr. F. S. Brooks is an employee of Swift & Co., who is now acting on the Food Administration, a dollar a year from the Government, but his salary still continues all right with Swift & Co.; as to these others whom we will mention later.

"Chicago, Ill., July 9, 1917, addressed to Mr. W. B. Traynor, and this is from F. S. Brooks. And, by the way, Mr. F. S. Brooks, Mr. Commissioner, was the representative of Swift & Co. who attended the different cattlemen's association meetings at the time they were trying to carry out the plan which is in evidence to prevent the investigation under the Borland resolution. And one part of the plan was to try to get the conservatives, as they called them, into control of the cattlemen's association. Mr. Brooks went to a number of these meetings, and his reports we have back as to what he did for them representing Swift & Co. This is during the years 1916 and 1917, before he went on this.

(From Mr. Louis F. Swift.)

"2 copies—EFS (San Francisco) EFS CHS FGS, Jr.

"LAC FSH ARF HV RCM ADW.

"CHICAGO, ILL., July 9, 1917.

"Mr. W. B. TRAYNOR:

"Mr. Edward Chambers, vice president, in charge of traffic, Santa Fe system, informed me confidentially Saturday afternoon that he had, through Mr. Ripley, been called to Washington to serve with Mr. Hoover as an associate in direct charge of the transportation end of the food-conservation program.

"Mr. Chambers will undertake to bring about complete cooperation and harmony among the railroads of the United States in the execution of such plans affecting their interests as may be promulgated from time to time by Mr. Hoover and his advisers.

"Mr. Chambers said that in his new duties he thinks that he will, from time to time, be brought in contact with our interests, and in that connection that we may depend upon him to the limit as our friend.

"It is the purpose of Mr. Chambers to return to Chicago about once a month for a day or so to keep nominally in touch with the affairs of his department of the Santa Fe, but, so far as he knew, his duties with Mr. Hoover will keep him on the job in Washington throughout the period of the war.

"Mr. Chambers, in this capacity, will be one of the most powerful railroad men in the United States, and it is peculiarly gratifying to say that he is probably the best friend I have among my friends.

"Mr. Chambers was recommended to Mr. Hoover unanimously by the American Railway Association, the Interstate Commerce Commission, and many leading interests of the country.

"Mr. Chambers left Chicago July 6 for Washington to assume his new duties.

"F. S. B."

We will show presently that Mr. Brooks got his job partly through Mr. Chambers.

The next is a telegram dated:

[On Western Union telegram blank.]

Copy—From Mr. Louis F. Swift.

"WASHINGTON, D. C., August 15, 1917—6.08 p. m.

"SWIFT & Co.,

Union Stock Yards, Chicago, Ill.:

"I will appreciate very much your contributing the services of your Mr. F. S. Brooks to the United States Food Administration to assist Mr. Chambers in

1858 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

handling transportation matters. Mr. Brooks is very highly recommended, and this request is made for patriotic reasons. Would like him to report here Monday next.

"HERBERT HOOVER."

"5.51 p. m.

"Copies EFS CHS GFS JR GHS ABS LAC FSH ELW HV RCM ADW FSB WL ARE."

That went to everybody connected with Swift & Co., including even Mr. Henry Veeder. It may be in the vaults.

"Chicago, September 10, 1917." This is a record of a telephone—something that was telephoned Mr. Traynor by Mr. Veeder Monday, September 19, 1917, about 3.15 p. m. It is as follows:

"CHICAGO, September 10, 1917.

"Telegram from Thomas Creigh, cattleman, who went down to Washington to attend the meeting of the live-stock committee with Hoover:

"Fisher and Burke of the marketing committee very much disliked by Hoover. They have no influence in Washington. E. C. Chambers, vice president Santa Fe, on Hoover's staff will have the naming of the meat-products man, who will handle that end of the business. I believe Hoover will put a price on hog products but not on beef or mutton. Chambers is very friendly to packers. The packers will have a great influence on the price to be put on meat products, and I think it is wise for them to use a great deal of discretion in making this price, for two reasons—

"1. To be fair to the producer;

"2. To stimulate production;

and I think the price should be as high as the consumer will stand.

"I think the marketing committee will be discontinued at the next meeting of the American National Live Stock Association."

COMMISSIONER DAVIES. Who signs this?

Mr. HENRY. I beg pardon?

COMMISSIONER DAVIES. Who signs this?

Mr. HENRY. This is from Tom Creigh, cattleman, who goes down to this meeting. He was not known to everybody to be Tom Creigh, cattleman, nor to us at that time, but he was known to them.

"I think the marketing committee will be discontinued at the next meeting of the American National Live Stock Association, as most of the members are disgusted with their talks and actions. They are still in Washington and will be at the meeting to be held with the committee and the packers. This is a time for the packers to show their good will toward the producer, and I hope they will take advantage of this opportunity to do so.

"Chambers has more influence with Hoover than any other man in Washington. Swift has a good man in Washington in Mr. Brooks?

"Telephoned Mr. Taylor by Mr. Veeder, Monday, September 10, 1917, about 3.15 p. m."

Then a letter (reading):

"UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 15, 1917.

"Mr. W. B. TRAYNOR,

"Care of Swift & Co., United States Yards, Chicago, Ill.

"DEAR MR. TRAYNOR: As a matter of general information, Messrs. Pinchot and Lasater have retired from the Food Administration. Their activities were largely of a negative character, hence the remodeled plan of administering live stock jointly with the meat division under Mr. Cotton.

"The involved interests considered, adopted, and made effective November 12, at Kansas City, a zone plan we submitted for a more even distribution of live stock receipts there. St. Joseph necessarily was included, and we are hopeful that the plan is the solution of a problem which has baffled the involved interests for so many years.

"They were having difficulty in keeping the price down in Omaha. It was getting out of line with the other places, as I will show by some other correspondence later. And this zone plan worked that out.

"Chicago is now considering a similar plan, having abandoned the branch-line idea, which we thought they would find necessary to do.

"Am beginning to feel the effects of close confinement and the mental strain incident to the dispatch of business involving various questions 14 hours daily.

"In my letter of November 12 overlooked saying to you the letter addressed to the President went to the various live-stock exchanges of the country.

"With kind regards and in haste,

"Very truly, yours,

"F. L. Brooks."

I think it should be kept in mind, Mr. Commissioner, that Mr. Brooks is drawing a salary from Swift & Co. at the time he is writing this to Mr. Traynor, the right-hand man of Mr. Swift.

A telegram of November, 1917, over the private wire of Wilson & Co., and, by the way, the packers, the big packers, all have a private wire into Washington now, Mr. Commissioner, from New York. They did not have until since the war started. Armour's entered at Baltimore, and I think Wilson's was at New York. But they are in there; they are all in there now. This telegram is:

Form S 148 50M 10 17 W.

Telegram received at Chicago over New York wire; private wire.

195, Washn., T. E. Wilson.

NOVEMBER 13, 1917.

Wilson & Co.:

Understand Mr. Lasater has resigned from Hoover committee; issue statement saying Hoover policy regarding cattle feeding harmful to common welfare; think trouble started seizure for other purposes of quantity cotton-seed cake which Lasater wanted for cattle feeds.

HOWARD.

1220PH

Howard is Wilson's man in their branch house in Washington.

The next one is a telegram November 13, 1917:

S 150 W 20M 9-17 No. 1.

Wilson & Co. (Pen notation "A. S. K.").

Sent at Chicago private wire telegram be brief.

NOVEMBER 13, 1917.

H. M. HOWARD, Washington:

Your wire; would like to have you send me copy of Lasater's statement if you can.

F. E. WILSON.

Lasater was a member of the marketing committee of the National Cattle-men's Association.

Form S 148 50M 10 17 W.

Wilson & Co. (In ink: "A. S. K.")

Telegram received at Chicago over New York; November 13, 1917, private wire.

373 Washn., F. E. W.

Avog Lasater. Says he has decided to make no official statement at present. Keep you posted.

L H. M. H. (In ink: "F. E. W.").

435 PH

HOWARD.

The next is a statement which is marked at the bottom "Original in the law department." It bears the heading, "Washington, D. C., November, 16, 1917." and is unsigned. However, the signature does appear at the left I see.

WASHINGTON, D. C., November 16, 1917.

I learn that the letter which Lasater wrote to Hoover in response to the latter's request for a bill of specifications, was a most severe roast upon the packing industry of the country. Mr. Lasater goes so far as to make accusations against one of Mr. Hoover's closest associates, and even says that this gentleman is directly connected with banks which handle packers' papers. The letter is a loud one and its publication has been suppressed. It is also reported that the general statements of the letter are indorsed in substance by General Pinchot. Whether or not anything will come out of it is problematical; but, if, as it is possible, a copy of the Lasater letter should get into the hands

of some of the gentlemen in Congress, who are always looking for ammunition with which to attack the packing industry, it may lead to further congressional investigation and to further embarrassment to business.

This information is to be regarded as confidential.

C. A. HAMILTON.

LAC FSH CO MR LFS EFS CHSGFS JR.

Mr. Hoover, on February 26, 1918, gave out a statement to the Associated Press to the effect that no one connected with the Food Administration was drawing a salary from any one of the packers. The following day these facts were read into the record of the Federal Trades Commission at the Packers' investigation, Chicago.

" FEBRUARY 27, 1918.

" Mr. HENEY. By the way, Mr. Tator, can you give us that information now?

" Examiner TATOR. I have here, Mr. Heney, the yearly salaries. Do you want that included?

" Mr. HENEY. Yes, sir.

" Examiner TATOR. Read in?

" Mr. HENEY. Can you tell us now the yearly salaries, the salary of Mr. Collins—what are his initials?

" Examiner TATOR. Mr. H. B. Collins was manager of the produce department of Swift & Co. salary at \$10,000 a year.

" HENEY. To what date has he received pay?

" Examiner TATOR. I find a credit on the books already posted up to March 2 of this year, a credit of \$190.90; a week by weekly postings his credit from January 5 to March 2, is \$1,773.73. In addition to that there was a special account, probably for expenses that I did not have time to analyze, amounting to \$1,410.51, since August 18.

" Mr. HENEY. So that he is not only paid to date, but he is paid a little in advance—down to March 2?

" Examiner TATOR. Yes.

" Mr. HENEY. Now then, did you get Mr. Priebe's salary?

" Examiner MANLY. Well, is Mr. Collins still an employee?

" Examiner TATOR. Mr. Collins is still an employee of Swift & Co., but I was given to understand that he might be resigning from the Food Administration yesterday or to-day, possibly.

" Mr. HENEY. Who gave you to understand that?

" Examiner TATOR. Mr. Chaplin, of Swift & Co.

" Mr. HENEY. Yes.

" Examiner TATOR. That was his personal opinion?

" Mr. HENEY. Is Mr. Priebe on the salary roll of Swift & Co.?

" Examiner TATOR. Mr. Priebe is on the salary roll of Priebe & Co. He does not get paid from Swift & Co.'s weekly pay roll, but it is deducted from Priebe & Co.'s account.

" Mr. HENEY. Is there an account of Priebe & Co. in the books of Swift & Co.?

" Examiner TATOR. I did not find any; did not examine; could not examine entirely for that.

" Mr. HENEY. Yes; did you—

" Examiner TATOR. I asked, however, where his salary account would be found, and I was told I would have to go to Priebe & Co.'s books, which I haven't had time to do.

" Mr. HENEY. But you did see those books sometime ago, didn't you—in January?

" Examiner TATOR. Priebe & Co.'s?

" Mr. HENEY. Yes.

" Examiner TATOR. No; I have not inspected those books for that purpose.

" Examiner MANLY. Mr. Twombly's memorandum.

" Examiner TATOR. At the time, Mr. Twombly's memorandum there—

" Examiner MANLY. On January 23.

" Examiner TATOR. I saw, however, Mr. Heney—

" Mr. HENEY. Yes.

" Examiner TATOR. I saw, however, Mr. Heney. I saw the agreement that Mr. Priebe—that Swift & Co. have with Mr. Priebe—Swift & Co. has with Mr. Priebe with reference to salary he should get as manager of the Priebe Co. and his commissions.

" Mr. HENEY. You saw that to-day?

" Examiner TATOR. I can testify as to that.

"Mr. HENEY. You saw it to-day?

"Examiner TATOR. Yes.

"Mr. HENEY. What is it?

"Examiner TATOR. He was to get a salary of \$275 a month and share in the profit and loss of the Priebe Co. to the extent of 25 per cent after deducting 7 per cent interest on the amount of the capital and surplus employed.

"Mr. HENEY. Now, who owns Priebe & Co.; it is a corporation, isn't it?

"Examiner TATOR. It is a corporation, and I presume our schedule shows that Swift & Co. owns it.

"Mr. HENEY. Well, I happen to know the schedule shows it owns it. My recollection is it shows it owns a hundred per cent of the stock.

"Examiner TATOR. I have not actually inspected that account.

"Mr. HENEY. Yes. How about Mr. Brooks?

"Examiner TATOR. Mr. Brooks——

"Mr. HENEY. What Brooks is it?

"Examiner TATOR. F. S. Brooks. His salary is \$9,000 a year. He was in charge of the stock-yards interest of Mr. Swift and the company.

"Mr. HENEY. In charge of the stock-yards interests? There is correspondence that I have here, part of which has been introduced, which shows—and I want the record to show this—that during 1916 and part of it—well, during 1916 and up to the time that he went to the Food Administration his duties were largely that of looking after the—or, at least during quite a portion of that time, he was attending conventions of cattlemen in the effort to have the control of those cattle associations gotten into the hands of what the big packers denominate the 'conservative element'—that is the element that was opposed to investigating them.

"Now, what is the salary?

"Examiner TATOR. \$9,000 a year.

"Mr. HENEY. And to what date has he been paid?

"Examiner TATOR. He has been credited on the books subject to his drawing it up to March 2.

"Mr. HENEY. Of this year?

"Examiner TATOR. Yes.

"Mr. HENEY. And for the profits of 1917, does it show what he had been credited with?

"Examiner TATOR. I find that there is credited from January 13, 1917, to December 29, 1917, \$9,390.49. There are some extra little credits probably crept in there for special things.

"Mr. HENEY. That was not the profits?

"Examiner TATOR. That is not—this is Brooks we are talking of.

"Examiner MANLY. Brooks.

"Mr. HENEY. Brooks—oh, Brooks. I am mistaken, mistaking him with Priebe. Pardon me.

"That merely shows that he is paid his salary?

"Examiner TATOR. Yes.

"Mr. HENEY. That is, entirely. And then there were some expense accounts, probably?

"Examiner TATOR. Yes.

"Mr. HENEY. Did it show how much he had been paid during 1918?

"Examiner TATOR. From January 5 to March 2, 1918, he has been credited with \$1,545.12.

"Mr. HENEY. Now, then, how about Kyle—or Hyle, rather?

"Examiner TATOR. E. O. Teyl.

"Mr. HENEY. E. O. Heyl.

"Examiner TATOR. E. O. Heyl is connected with Libbey, McNeill & Libbey, at a salary of \$9,600, as manager of the vegetable and condiment department. His salary has not been credited since February 16.

"Mr. HENEY. Since February 16?

"Examiner TATOR. The salary stopped at that time.

"Examiner MANLY. Did he resign?

"Mr. HENEY. Did you have any talk with them about it?

"Examiner TATOR. No; I could not get over to inspect that, or to secure it personally. I inquired from Swift & Co., who got the information for me through Libbey, McNeill & Libbey's books. I had a man there who I think would give it to me as accurately as I could get it.

"Examiner MANLY. That was February 16 of this year?

"Examiner TATOR. Yes; of this year.

"Examiner MANLY. Of 1918.

"Mr. HENEY. That was after some of these letters were 'spilled' here, was it?

"Examiner TATOR. I don't know as to that, exactly. I think——

"Mr. HENEY. How? No.

"Examiner MANLY. No; the 16th.

"Mr. HENEY. February 16. That is the last paid, is it?

"Examiner TATOR. Well, it might be he would be getting another—that it was not posted since that date—but I could not verify that because I have not seen those books actually.

"Mr. HENEY. Well, you can do that to-morrow.

"Examiner TATOR. All right.

"Mr. HENEY. And, in order that the records may be perfectly clear here, Swift & Co. own all the stock of Libbey, McNeill & Libbey. That I do have a positive recollection as appearing in their schedules, although I know that they are claiming now for certain purposes that it is not anything but a branch house—a department, actually, of their general business."

The disclosures by the public hearings of the Federal Trade Commission in the packer investigation unquestionably show that W. F. Priebe was using his connection with the Food Administration to further the interest of the large packers. That Brooks and Heyl were put into the Food Administration to further the interests of Swift & Co.

That they were purveyors of inside information concerning the Food Administration to Swift & Co. That the Food Administration did cooperate with the five large packers in discriminating against the smaller packers and the producer of meat animals.

As applicable to point in question, the quality of my Americanism, I submit resolutions Nos. 1 and 2, passed at the annual meeting of the American National Live Stock Association in convention assembled, Salt Lake City, January 16, 1918. The resolutions were drawn by me and presented to the resolutions committee, were recommended by the committee, and adopted by the convention:

"Resolution No. 1.

"We affirm our confidence in the commander of our armies and the maker of public sentiment for the allied world, President Wilson. We believe that every interest should be subservient to the Nation's business in hand, which is to win this war. We pledge our President our whole-hearted support in any efforts or policies he may deem necessary to win this war: Therefore

"Be it resolved, That we approve of the concentration of power in the hands of efficient agencies for the purpose of developing and mobilizing the Nation's man power, the Nation's productive power, and the Nation's industrial power, so that from the maximum development of all these agencies an economic policy, proportioned fair and just to the whole people, may become the Nation's policy. We ask that in the delegation of the unusual powers to the various agencies necessary for the accomplishment of the above purposes, that consideration be given to the necessity of safeguarding the industrial freedom of our people when peace shall have been restored to the world."

"Resolution No. 2.

"It is the sense of this convention that the result of the world war now being waged by Prussianism against the rights of man will be decided by the ability of our Nation to adequately furnish food supplies for our allies: Now, therefore

"Be it resolved, That we urge our membership and the ranchmen and farmers of the Nation to produce this season's foods, foodstuffs, and animals fitted for slaughter to their maximum capacity.

"We realize that at the present the time market situation for our live stock and dairy products is bad, but looking at the world situation it is plain that we can not serve our children and humanity better than by hazarding our economic life at this time of democracy's peril. A willingness to sacrifice does not imply a lack of determination to demand and work for justice at the Nation's hand. When once the situation of the food producers of the Nation is understood by the people, we are firm in our conviction that the profiteers will receive their just dues and that justice will be done to the producers of the Nation in that their products will be taken at cost of production plus a reasonable profit.

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"We voice the opinion that a reasonable rate of profit shall not be less than the producer is charged on his long-time mortgage loans and for short-time accommodations from his local bank or merchant.

"We ask the producers of our Nation's food supply to be true to our country's welfare and to our boys in the trenches.

"It is safe to rest our cause upon the honesty of the American people."

Mr. Hoover's memory served him badly in stating price of cottonseed meal at the time of my resignation. It was \$60 per ton instead of \$70, as stated by him. I give below a telegram from Col. I. T. Pryor, giving cottonseed meal and cake market, as it then existed, viz:

SAN ANTONIO, TEX., November 5, 1917.

ED C. LASATER,
Congress Hotel, Chicago, Ill.:

I commenced buying prime cottonseed cake first part October, \$50 a ton. My next purchase—a week later—\$54 a ton. Next purchase, \$56 per ton. Last purchase, November 1, 100 tons, \$60. I still need about 400 tons to finish number of cattle I should feed, but unless there is something done by the Food Administration to check the advance in price, I will have to market my cattle unfinished and quit feeding.

IKE T. PRYOR.

Col. Pryor was the agency used by Mr. Hoover to get the live-stock interests to meet at Houston with the cottonseed crushers to discuss and agree upon a basis of settlement of the meal and cake situation. Mr. Pryor was requested to so act by wire the afternoon of my resignation.

Swift & Co., on November 1, 1917, had purchased a 10-months' supply of cotton seed for their mills. The regulation of the Food Administration only permits an accumulation of a 60-day supply. Swift & Co. were never forced by the Food Administration to disgorge.

I give here a letter from me to Col. Pryor, under date of November 10, in regard to the meal and cake situation at that time:

WASHINGTON, D. C., November 10, 1917.

MR. I. T. PRYOR,
San Antonio, Tex.

MY DEAR MR. PRYOR: I inclose a copy of a telegram that was to be sent yesterday morning by the Food Administration to E. A. Peden, United States food administrator for Texas. On the basis of this telegram I prepared a telegram addressed to I. T. Pryor, for sending to yourself and others. This was the situation at 12 o'clock on the 9th.

At 2 o'clock I was advised that the Food Administration had modified its telegram to Mr. Peden to the extent of simply "passing the buck" up to Mr. Goodwin, first assistant to Mr. Peden at Houston, which in due time, of course, would be "passed back" to the Food Administration at Washington.

Realizing the hopelessness of the situation as far as accomplishing anything of benefit to the producers and consumers, I handed in my resignation, copy of which I herein inclose, together with copy of the letter inclosing my resignation.

The Food Administration has abundant evidence to show the present unreasonable prices of cottonseed cake are due to a combination acting in concert to exploit the country to the limit. These facts will not be made public unless there is pressure brought to bear upon the Food Administration. Is it not possible for the producing interests of Texas to bring pressure to bear that will cause an investigation by some State agency, exposing the true conditions as far as cottonseed products are concerned? The seriousness of the situation can not be exaggerated. Please give this matter your best consideration and act at once.

I shall stay in Washington until our proposed meeting in Chicago in December. I will do what is possible to bring about the desired publicity on the situation.

Very sincerely, yours,

ED. C. LASATER.

As to live-stock statistics for the world handed out by Mr. Hoover about the time the Food Administration was created, I repeat the charge that he had no basis for them. In effect, they were faked. I am willing to admit that when it comes to using camouflage, Mr. Hoover is almost a superman. But when it comes to his making a guess that will be more accurate than the estimate of

the Department of Agriculture, with its ramifications of machinery that cover the world, at a cost of millions to the Nation, I accept the statistics of the department.

The world supply, as shown in my statement, is taken from the data vouched for by the Department of Agriculture in its monthly Crop Reporter, February 1918. If Mr. Hoover can by any chance be approximately correct, we should employ him as our national guesser, and at once proceed to enforce large economics in the Department of Agriculture.

As to the dairy interests, Mr. Hoover does not attach to his statement the letter from Mr. Campbell which he says "shows the entire misrepresentation by Mr. Lasater in this connection."

The showing made by me before your committee on the dairy situation was largely on briefs and statements of Mr. Campbell. I do not think that Mr. Campbell is capable of stultifying himself by giving Mr. Hoover the letter he claims to have; "seeing" in this instance will be "believing."

On October 20, 1917, Mr. Hoover stated to me that he at that time had a report from a commission that he had appointed to ascertain the cost of producing milk. That he did not deem it advisable to publish it, because it justified the prices the milk producers were trying to get. I argued that the consumers could not expect to be fed unless costs plus a reasonable profit were allowed to the producers. Mr. Hoover's reply was "they care nothing for cost; they want to buy it cheaper." He did nothing.

About a month later the conditions of the milk supply in the large centers of population became so acute that he appointed other commissions to ascertain "costs" of milk production, a subterfuge purely to gain time. He already had all the information that could be had and as exact as could be.

I will dismiss the dairy situation by giving here an editorial from Wallace's Farmer that appeared in its issue of February 22, 1918, on one of the commissions appointed by Mr. Hoover.

"The result of the commission's findings, however, has been to cause very great dissatisfaction among the milk producers tributary to Chicago, and will in the end create higher prices for milk than the reasonable prices the producers are now asking. More than this, the experience of these men with the Food Administration and the commission appointed by it has been such as to create in their minds a profound distrust both of the administration and of the commissions of this sort; a distrust which is being shared by the meat producers of the corn belt, who have suffered so seriously during the past eight months. Having in mind the interests of the country at large, this is a very unfortunate situation."

In regard to the omission, as charged by Mr. Hoover, from Admiral McGowan's letter, I specifically stated by reasons for quoting same, pages 537 and 538 of my statement.

The letter in question is taken in full from Bulletin No. 8, Committee on Naval Affairs, House of Representatives, January 22, 1918, and attached to my statement.

Mr. Pinchot presented the following memoranda to Mr. Hoover on October 22, 1917. Mr. Hoover at that time advised him that he, Hoover, was desirous of my continuing as live-stock expert with the Food Administration in Washington:

OCTOBER 21, 1917.

Memorandum for Mr. Hoover.

In order to promote the efficiency of the Division of Live Stock and Farming, we submit the following:

1. We understand that the work of the Division of Live Stock and Farming includes all questions relating to live stock not covered by Mr. Cotton's division and includes increase of live-stock production (in cooperation with the United States Department of Agriculture), and all relations with farmers not specifically covered by other divisions of the Food Administration.

2. We understand that Mr. Cotton's division has charge of all relations with packers, live-stock exchanges, commission men, stockyards, and the interests of the shippers at the stockyards.

3. In order to do our work with effectiveness, we believe it is essential—

- (a) That all information acquired by the Food Administration as to quantities of meat products needed for export and home consumption and the prices of the same should be available to us.

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(b) That all information acquired by the Food Administration in regard to supplies and prices of feed stuff throughout the United States should be available to us.

(c) That action taken by the Food Administration within the limit of our duties should be taken only after notification and consultation with us.

(d) That we should be kept informed of information secured and action taken by Mr. Cotton's division and other divisions in matters affecting the live-stock producing and farming interests.

4. That the heads of the Live Stock and Farming Division should be entitled to sit in all conferences where questions affecting live-stock production or supply, or animal-food product consumption, or farming interests not specifically covered by other divisions, are discussed and policies determined, and in the general conference at which the heads of the other divisions are present.

ED. C. LASATER.

GIFFORD PINCHOT.

Until after my sense of national welfare forced me to resign from the Food Administration with a view of forcing publicity upon its policies and practices I had no intimation from anyone that there was any difficulty of cooperating with me.

I trust the committee will carefully weight the facts and records presented by Mr. Hoover and myself before deciding which has the "unreliable memory."

A study of the facts will show that he has not called back to Washington the same committee of advisers on live-stock problems twice. When by camouflage he could not steer those connected with production into accepting policies and practices that inevitably must lead to disaster he swapped his advisers.

Report of the committee of the United States Live Stock Industry follows. This report will show that an attempt was made by his advisers (selected by himself) to prevent from materializing much that has since happened.

REPORT TO THE FOOD ADMINISTRATION BY CERTAIN MEMBERS OF THE LIVE STOCK INDUSTRY COMMITTEE.

WASHINGTON, D. C., *September 18, 1917.*

The undersigned members of the live-stock industry committee having been called to the office of the Food Administration, and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide—

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitation of packers' profits to a reasonable amount based as nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit and no more. Such fair profits, we believe, will be satisfactory to the producers and to the consumers.

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Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total annual sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock, and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

(a) By Government control of exports from the United States.

(b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.

(c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other Governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as themselves make necessary something more than the mere licensing of packers, and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

(1) The Food Administration should see to it that all meats and animal food products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential, bearing in mind that no great increase in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

(2) Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must, therefore, come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies we believe it would be possible to increase the supply of fattened cattle by making contracts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to go in during the next two months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

(3) Hogs are finished for market at from 6 to 12 months of age. In the corn-belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past six to nine months the relation between the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six months must come either from the further marketing of brood sows (which would tend to reduce the pig crop next spring) or from feeding the existing crop of shoats to heavier weights than is usually found profitable.

An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs marketed during the next six months. The number of hogs to be marketed during that period can not be increased but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

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During the next five months the price of hogs at the central markets should, under no circumstances, be permitted to go below the cost of production as measured in the value of the corn fed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs, when fattened for market, shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing, the following suggestions are offered:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit, said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential, and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers, and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence the price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect, it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consuming centers of public retail markets, operated by the Government, or by private agencies under public supervision, at which the consumer, who pays cash and does his own delivering, may buy meats and animal-food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies the foregoing recommendations may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that assurance is needed, if production is to be stimulated to the extent that the Food Administration thinks necessary. If prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

* * * * *

The balance of Mr. Hoover's denials and charges are fully covered by the letter of Mr. M. L. Requa, Mr. Hoover's first assistant, at that time, under date of November 22, 1917, in reply to my statement to Mr. Hoover, under date of November 12, previously referred to, and my reply to Mr. Requa, and the letters of Mr. J. W. Evvard and Mr. Henry Wallace, addressed to Mr. Gifford Pinchot, who was at that time my colleague in the live-stock department of the Food Administration. The letters here follow:

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 22, 1917.

Mr. E. C. LASATER,
1616 Twenty-second Street, Washington, D. C.

DEAR SIR: Your letter of November 12 to Mr. Hoover has been handed to me for perusal and consideration.

My first impulse was to say nothing in reply, but it seems to me necessary to review that part of your connection with the Food Administration with which I am familiar and point out to you wherein you have, I think, failed to grasp the magnitude of the problem, the multifarious lines of effort confronting the Food Administration and the perplexing difficulties surrounding all attempts to harmonize, at least in some degree, the diametrically opposed interests with which the Food Administration has to deal.

Before giving you the picture as I see it, however, may I be permitted to comment upon certain portions of your letter not in any spirit of criticism, but only in an endeavor to indicate wherein I think you are in error.

I did not say that "No damn man could make me eat that much crow." What did happen was that when you prepared a statement regarding lamb and veal which I characterized as so worded that it seemed to me you were deliberately attempting to put the Food Administration in a position where it would have to "eat crow," I said that I did not propose to permit anything of the sort if I could help it. The statement finally went out in a modified form.

Regarding the ratio of hogs to corn, I have no knowledge of Mr. Hoover ever promising to abide by any decision of a committee, and if he had made such a promise I am sure I should have known of it. What he did ask for was an investigation as to what this ratio had been over a period of years, and it was found that this ratio was not 14 to 1, but approximately 11½ to 1. The ratio of 14 to 1 fixed by that committee was, I presume, largely because Mr. Pinchot suggested it. My understanding is also that this recommendation was not regarded in the light of a confidential report to Mr. Hoover but that it was spread broadcast throughout the Middle West, was indorsed by a meeting in Omaha, and, I am persuaded, has on the whole done more harm in tending to create unrest and dissatisfaction than you and Mr. Pinchot can ever counteract by any constructive future work. There was no justification for it. It was, so far as I know, not founded on any careful investigation. There is ample statistical proof to indicate its error, and I have always believed this figure to be purely arbitrary and that it was arrived at from the viewpoint of the producer who desired not only the prewar average but something very much better as an inducement to stimulate production. The proof of all this lies in the fact that when Mr. Hoover did summon a committee of experienced men they did not bear out the 14 to 1 ratio but recommended 12, and under certain circumstances 13 to 1.

As to Mr. Wilson, permit me to say that I had a conference with Mr. Wilson here in Washington on the subject of the packers guaranteeing to the producers hog values on a basis of 14 to 1. Mr. Wilson says that he did not see how the packers could go into a guaranty of that kind unless the allies and the United States Government could assure them of a market for the products to be purchased.

You are correct when you say that I did say that I believed it unwise for anyone to undertake a guaranty of that kind unless they had some tangible guaranty upon which to base such action. Mr. Wilson, so far as I know, never had any serious intention of entering into any such program. I did not see then, nor do I see now, how anyone could undertake an unlimited guaranty of the kind you desire the packers to assume.

You are incorrect when you state that I protested the action of Mr. Cotton in advising through the press that a minimum price on hogs the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog. I made no protests of any kind, nature, or description regarding Mr. Cotton's action.

Your reference to Mr. J. P. Cotton is evidently intended to imply that because Mr. Cotton has an office at 14 Wall Street, he is unfit to have any connection with the packers' industry. Oddly enough it happens that Mr. Cotton was at the time the attorney for Mr. Pinchot, and both you and Mr. Pinchot expressed great delight to Mr. Hoover when Mr. Cotton's appointment was announced.

I note that you approve the appointment of Mr. Humphreys. I shall watch developments with interest to determine whether Mr. Humphreys continues in your good esteem in view of his work here. Already I see signs of wobbling; you criticize regarding the cottonseed cake in Texas, solely from the standpoint of an interested cattleman, desirous of buying a product produced by another at a price lower than that citizen is at the moment selling his product for.

Had the Food Administration authority to fix prices, and had it fixed a price of \$40 for cottonseed cake early in the season, I suspect that it would have your hearty support; had it fixed \$30, perhaps your enthusiastic applause. But what of the producers of cotton seed in the South? Surely you must recognize that they have rights coequal with those of the cattlemen, and that we should have earned their disfavor quite as heartily by putting the cake down as we have earned yours by attempting to find a compromise platform upon which all citizens can stand with as nearly as possible equal treatment. The cottonseed matter is proceeding to the satisfaction of the residents of Texas, I have reason to believe, in view of a telegram received here from Mr. Peden recently speaking of a meeting in Houston and expressing the belief that the cottonseed crushers will accept a price of \$50 for their cake.

If this is accomplished, we can seize the cake in Galveston and pay \$50 for it rather than the \$60 or \$65 we should have to pay if the market price had not been averaged by the patriotic action of the crushers in the Houston meeting. Ten or fifteen dollars a ton on some 30,000 tons of cake was surely worth waiting a week for. If this cake is seized, it will have to be paid for at the market price by the Government, who would have lost the money—\$450,000.

You refer to the milk situation. Mr. Powell has the milk situation well in hand, I understand; prices have been agreed upon and a very much more harmonious relation brought about than could have been hoped for some weeks ago.

This, I think, covers the main points in your letter. And, having done that, permit me to draw your attention to what I conceive to be your failure to grasp the problem of the Food Administration. I am sure you do not realize the many diverse and antagonistic forces with which the Food Administration has to contend. You have been engrossed with only one phase of it—that is, the meat industry—you do not stop to view it as a whole and consider the other phases—some of them, perhaps, that you would never think of unless called to your attention. May I not enumerate a few of the more than 500 different lines; the problem of wheat-flour bread; of binder twine; of ammonia; of arsenic; of fatty oils from Manchuria, from the west coast of Africa, from the Philippines; canned goods; butter, cheese, milk; car shortage; glucose; cold storage; corn and its products; cotton seed and its products; glycerine and soap; fertilizer; exports and imports; rabbits and rats; rice and macaroni; sugar; fruits and vegetables; wholesalers, retailers, and the conservation of food—but why elaborate? These are only a few of the problems which go to make up the great consolidated problem of the Food Administration. You came here interested in but one of them, and you are to-day, I am persuaded, still interested in but one.

Do you remember the first interview you and I ever had? I do very well. You proposed that the Food Administration should take over and operate the packing plants; and I said then, as I say now, that it would be an unwise thing to do, and an illegal thing to do. Your antagonism to the packer was not a surprise to me; it was simply a repetition in another form of the old struggle that I had recognized as existing for many years—the oil producer versus the oil refiner; the water owner and the land owner; the smelter and the miner; I did not believe, nor do I now believe, that it is the function of the Food Administration to solve this problem—we must regulate all as a war measure to accomplish war purposes and only that. I am sure that a solution should be found. I believe that I know what it is; but it is not taking possession of the plants and operating them for Government account.

You were impatient because results were not forthcoming with the same facility and speed that might be possible in some smaller personal transaction carried on by private individuals. You failed to recognize the diversity of interests in the separate States of the United States, from Maine to California, and from Canada to Mexico, and you expect right of way for your own particular interest regardless of other considerations. You failed to visualize the great picture as a whole, but focussed your attention upon a single section. Such procedure would be feasible if there were no opposing interests; with the mass of opposing interests procedure such as you contemplated was not only impossible, but if carried out might easily have ended in disaster.

The task of the Food Administrator is not an easy one. The complexities of the problem are unparalleled, unceasing, and a source of constant wonder to me. Almost daily a new angle arises; beautifully thought out plans are continually smashed into a thousand bits by utterly unexpected and unforeseen contingencies, and the work must be begun all over again.

I recognize your right to your personal opinion. I recognize your right to tender your resignation. But I can not believe or grant that you have any right to offer your criticism for publication in the newspapers of the country before you have heard the other side, or have made yourself acquainted with the actual conditions.

Very truly, yours,

M. L. REQUA.

WASHINGTON, D. C.

Mr. M. L. REQUA,
Food Administration, Washington, D. C.

DEAR SIR: Your letter under date of November 22, in reply to my statement to Mr. Hoover, under date of November 12, reached me at Chicago November 29.

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Business necessities required that the intervening time be spent by me in Texas. I regret that I could not have given your communication attention sooner.

The assertion you make in your letter that Mr. Hoover could not have taken certain action without your knowledge I concede to be a fact. I can not imagine closer cooperation than I found existing between Mr. Hoover and his first assistant during the time of my connection with the Food Administration. I desire to state here that I found among the Food Administration's forces many patriotic men and women imbued with a desire to serve the Nation. They are conspicuously absent from Mr. Hoover's cabinet.

The intent of your statement, above acknowledged, is to convey to the minds of the country the impression that I was selfish and local in my views and sought only the welfare of the live-stock producers. Addressing myself to this accusation first, I give here a part of a statement prepared by Dr. Pearl, statistician of the Food Administration, under date of September 27, 1917:

"The general principles on which the price of food commodities of all sorts should be stabilized embodying the following:

"First. That the regulations to govern the conduct of a food-producing, manufacturing, or distributing trade or industry should not be drawn up by the representatives of that trade or industry.

"Second. That the amount of rate of the 'fair profit' to be allowed each trade should be determined by the Food Administration and not by the trade concerned, or any representative of such trade.

"Third. That the determination of profit should be stated in such clear, simple, and specific terms that on the one hand these profits can be plainly understood by the food producers of the country (the farmers) and the consumers, and on the other hand will immediately appeal to all intelligent persons as really reasonable and fair profits."

Also memorandum presented by me to Mr. Hoover a few days subsequently, which follows:

"In arriving at prices for all manufactured goods wages must be one of the important items considered. In arriving at any wage scale food costs will largely decide their sufficiency.

"We have now the wheat and flour cost established by an act of Congress. Is it not desirable to correlate the price of all coarse grains to that of wheat?

"Having established these bases to correlate as nearly as may be possible all finished animals for slaughter and dairy products with the bases above established, and having arrived at these bases for the prices, you have the price for the main staples of the food supply established. Is not this the logical method to pursue in establishing prices so that the values of all commodities may be correlated in a fairly close degree, to the end that the net returns from operation may be established for the different producing and manufacturing industries on a basis of reasonable parity?"

I now ask if the recommendations of Dr. Pearl were put into effect in the dealings of the Food Administration with the millers, the canners, the wholesale grocers, the cottonseed crushers, the sugar refiners, and the packers? If not, why not? I challenge you to produce any recommendation of mine at variance in principle with the above-given memoranda. Since our entering the war I have at all times thought in terms of the Nation and not solely as one of the producers of live stock. Had the principle embodied in Dr. Pearl's recommendations to Mr. Hoover, and those in the memoranda submitted by me to Mr. Hoover, been put into effect, there would to-day be no feed question, no sugar or grain milling question perplexing the country. The worries of the Food Administration would have been practically eliminated, because there would be no necessity of concealments. The cattle feeder and the milk producer would be commanding feed on a basis that would enable them to produce both milk and meat at a price that the consumers can afford to pay. As it is, both industries are paying the highest price for hay and protein feeds in the history of the country—this that a few speculators might garner in some millions of unearned dollars. The whole people would have had assurances that the intermediaries between producer and consumer were to be treated as laborers worthy of their hire and were not to be allowed to entrench themselves as exploiters of the Nation.

As to the Chicago packer, at my first interview with Mr. Hoover, and all subsequent interviews when the packer was discussed, I advocated control—not perfunctory control, but control that would absolutely insure his getting but a reasonable reward for the services he renders. Whenever you or Mr. Hoover expressed a dread of having to operate the packing plants, I always took the

position that that was not the remotest of possibilities, because the packer was close enough in touch with public sentiment to realize that if his recalcitrancy forced the Government to take over his plants, public sentiment would never permit of their return for his uncontrolled operation. The Food Administration seems to think it is not necessary to place the supervision in hands outside of allied interests. The supervision I think requisite is indicated by my recommendation to Mr. Hoover as given in my statement to him of November 12, a commission composed as follows: Cotton, New York; McCarthy, Wisconsin; Pinchot, Pennsylvania; Gage, Texas; Burke, Nebraska; Evvard, Iowa (representative of labor union; biggest-brained man that can be obtained).

My judgment is that the country producer would react much more favorably if such a commission umpired the game between him and the packer than when Mr. Cotton acts alone as umpire. Mr. Cotton comes from 14 Wall Street, New York City; his clientele is the large financial interests in New York. You can not differentiate between the big packer of Chicago and the big financial interests of Chicago and New York. The unusual run of both immature cattle and hogs would indicate that the country does not feel safe with the supervision of the packer that has been supplied.

Now, as to the motives which you attribute to Mr. Pinchot and myself in our efforts to have a ratio fixed for hogs in terms of bushels of corn, I refer to the report of the commission appointed by the United States Food Administration to investigate the cost of producing hogs, being the same report you mentioned in your reply, and which you misquote in your vain effort to make a case against Mr. Pinchot and myself. I hereby give page 7 of said report in full, which shows that the commission appointed by the Food Administration recommends a ratio of 14.31 bushels of corn per hundred pounds of hog to secure an increase of 15 per cent over last year's production. This is the per cent of increase we had been advised to work for; the same being practically one-third of a bushel of corn more than recommended by the mass meeting of hog growers addressed by Mr. Pinchot and myself.

TABLE 1.—Average ratio arranged on the differential monthly basis.

	Average ratio of 11.67 weight aver- age based on 10 years, 1907-1916, inclusive. ¹	Average ratio of 12.20. ²	Average ratio of 13.3. ³	Average ratio of 14.3. ⁴
January.....	11.0	11.3	12.5	13.5
February.....	11.6	11.9	13.2	14.2
March.....	12.4	12.8	14.1	15.2
April.....	12.7	13.1	14.5	15.6
May.....	12.3	12.7	14.0	15.1
June.....	12.1	12.4	13.8	14.8
July.....	12.0	12.3	13.7	14.7
August.....	11.8	12.1	13.5	14.5
September.....	11.8	12.1	13.5	14.5
October.....	11.3	11.6	12.9	13.9
November.....	10.6	10.9	12.1	13.0
December.....	10.4	10.7	11.9	12.7

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.
² This ratio represents approximate production cost.
³ Represents ratio necessary to bring production back normal.
⁴ Represents ratio necessary to increase production 15 per cent above normal.

I here give a memoranda of instructions from Mr. Hoover in regard to what was wanted. Mr. Pinchot has this memoranda in Mr. Hoover's own handwriting:
"Want the hog producers to propose to the Food Administration that they would like for the Food Administration to make such arrangements as will fix the price of hogs from month to month based upon the weighted average price and consumption of corn at Chicago quotation for cash corn. The weighting of the consumption and price determined by a commission appointed by the Food Administration. The price when fixed to be calculated in terms of bushels of corn in such a manner as to cover the cost of production and profits."

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Also telegram from Mr. Hoover to Mr. Deems, United States Food Administrator for Iowa, which clearly shows that there was intended to be the widest publicity given to our actions and not the secrecy your letter would imply.

HERBERT HOOVER'S OFFICE,
September 28.

Food Administration.

J. F. DEEMS,
Federal Food Administrator,
Burlington, Iowa.

I understand the Waterloo fair will offer an opportunity to reach the Iowa farmer. Messrs. Pinchot and Lasater, of our office, will put themselves in communication with you and will attend, but I would like it if you would yourself convey the following message to the Iowa farmer: "I would be glad if you would present to the Iowa farmers the pressing necessity from a national and war interest of increasing our hog output and at once. Fats have become a vital issue in the world; Iowa—our banner hog-producing State—has fallen behind during the past year, because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs. On the other hand, we will have high prices for animal products and in fact of this national situation it must be my duty to exert my every influence through export—buying and otherwise—to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops and must be to the producers' interests. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is indeed a dangerous course, for they are our first line of defense and must be fed; and again, this is a matter of common humanity, for fats are critical to human life. I am therefore depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction. While I willingly pledge myself to leave no stone unturned to maintain profitable returns, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war, and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead."

HERBERT HOOVER.

As to the "eat crow" episode, if you will compare the statement in question—it is dated August 7, 1917—you will find that it did not go out "in modified form" but was incorporated in joint statement of Food Administration and Department of Agriculture issued August 22, practically word for word.

Far from showing any disposition on my part to have the Food Administration "eat crow," I question whether Mr. Requa should have backed away from an unfortunate mistake more diplomatically.

When your duplicity and deceit can be shown by the records of the Food Administration, I feel that it would be a superfluity for me to correctly brand the several instances in your letter of November 22 in which you take issue with facts related in my statement to Mr. Hoover.

Yours, truly,

ED. C. LASATER.

IOWA STATE COLLEGE,
AGRICULTURAL EXPERIMENT STATION,
Ames, Iowa, December 24, 1917.

To whom it may concern:

In care of Mr. Gifford Pinchot.

Mr. Gifford Pinchot, in a letter addressed to me December 10, 1917, may be quoted as follows: "Would you mind writing me a letter giving your own recollections of what took place about the 14 to 1 ratio, and any other comments which may occur to you? However, please write me whatever you remember to be the facts. Also, did I do any harm?"

The facts, therefore, I am stating as follows:

1st. The ratio of 14 to 1 which was suggested to the Hon. Herbert Hoover, United States Food Administration, Washington, D. C., by the representative swine growers of the corn belt in convention assembled at Waterloo, Iowa,

the 3d day of October, 1917, was definitely suggested as a ratio which would stimulate production 15 per cent above normal. That there may be no misunderstanding as to what this ratio represented, I inclose herewith a copy of the Waterloo Appeal.

This ratio in no way represented the cost of production, but strictly represented what was necessary for stimulation, in the opinion of these swine men.

2d. The swine commission appointed by Mr. Hoover practically agreed with the representative swine growers which assembled at Waterloo the 3d of October, 1917. This commission reported as follows: "The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average condition.

"While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

"The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

"We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal."

The documentary evidence for this is submitted in the official report of the commission, a copy of which is attached herewith.

Third. Mr. Gifford Pinchot did not suggest a ratio of 14 to 1. Mr. Pinchot and Mr. Lasater at Waterloo simply asked the swine growers to tell the Food Administration what was necessary to stimulate pork production; in truth, to make a general report covering the essential necessities indispensable to the pork-producing business under the emergency war conditions. All this is clearly set forth, however, in the Waterloo report, attached, which gives the conditions and remedies. We understood at Waterloo that the Food Administration wished an increase of 15 per cent in pork production above the normal.

Fourth. Mr. Gifford Pinchot, at Waterloo, openly opposed before this committee a ratio of 14 to 1. He wanted to know if a lower ratio would not do the business. He was dealing, however, with men that are firm in their conviction, and these men emphasized that a 15 per cent increase above normal could not be assured unless the ratio was made 14 to 1. They felt that a ratio of less than 14 introduced uncertainty. The swine commission appointed by Mr. Hoover went on record with an even larger ratio, namely, 14.3 to 1.

Fifth. I do not believe that the Waterloo report has done any harm; in truth, I feel quite sure it has done considerable good. The definite statement of policy of Mr. Joseph P. Cotton, of the Food Administration, said statement being based on the report of the swine commission; this, coupled with the reports of the swine commission, has done much to create confidence and to stimulate pork production.

Sixth. The Waterloo report was made by a man who has had many, many years of practical experience in swine production, which in itself means that it was carefully made. As chairman of this committee I used my influence for a lower ratio, as did Mr. Pinchot, with the result that the ratio was lowered to 14 to 1; in truth, this was somewhat below the average of the opinions of the committee. All the men on this committee are patriotic, and I do not believe they had any idea whatsoever of profiteering in their minds. While some of them said that they would increase production themselves on a little lower ratio, yet they did not feel that their neighbor and their neighbors' neighbors throughout the corn belt would do so. Even in normal times a ratio of 14 to 1 has been quite common.

Seventh. The Waterloo committee were particularly pleased with the attitude of Mr. Pinchot, and in his absence they expressed appreciation among one another of the whole-hearted way in which Mr. Pinchot fought for the interests of the Nation.

They felt that Mr. Pinchot would have been particularly delighted with a ratio of 12 to 1, or even 11 to 1, if such a ratio would have worked, but this committee of practical men could not sacrifice their convictions because the making of such a low ratio was certainly not in accordance with their convictions, because the making of such a low ratio was certainly not in accordance with their patriotic judgment. The committee felt that no personal favor

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should be shown, not even to Mr. Pinchot, but that cold, hard facts should reign supreme regardless of whose feelings might be touched.

The above are the facts straightforwardly presented.

Very truly, yours,

J. W. EVVARD,
Assistant Chief in Animal Husbandry.

WALLACES' FARMER,
Des Moines, Iowa, December 11, 1917.

Hon. GIFFORD PINCHOT,
1617 Rhode Island Avenue, Washington, D. C.

DEAR MR. PINCHOT: I have recently had an opportunity to read a letter written to Mr. Hoover by Mr. Ed. C. Lasater, under date of November 12, 1917, and the reply received by Mr. Lasater from the Food Administration by M. L. Requa.

The contents of these letters have been very disquieting to me, revealing as they do a mental attitude on the part of Mr. Hoover and Mr. Requa which seems to be very antagonistic toward meat producers, and, what is much more serious, an attitude which, if it becomes generally known, will tend to still further shake the confidence of both meat producers and grain farmers in the Food Administration, and therefore result in decreased production, to the serious jeopardy of our national and international interests.

I am not familiar with the relations between yourself and Mr. Lasater and the chiefs of the Food Administration. I can find in Mr. Lasater's letter, however, an explanation of some of the things which heretofore I have been unable to understand. And from Mr. Requa's letter it is perfectly evident that neither he nor Mr. Hoover have been able to understand the conditions which affect food production; nor, apparently, are they able to understand the peril with which we are confronted.

I am particularly interested in what Mr. Requa says concerning the recommendations made by various swine breeders and other stockmen who met at Waterloo, Kansas City, and Omaha. You will remember that when you first telegraphed me on September 25, asking me as chairman of the hog committee to call a meeting at Waterloo, I replied that I did not wish to call such a meeting; that I regarded it as a waste of time and money; that Mr. Hoover was then as fully informed as he could be concerning the cost of hog production; and that if the emergency justified he should adopt a constructive policy without further delay.

You replied to this, again strongly urging that I should call such a meeting, and I rejoined that any increase in the production of hogs was hopeless unless Mr. Hoover was prepared to act promptly, and that in the absence of such action further meetings would do more harm than good. Then I received your third telegram, dated September 30, in which you stated that by Mr. Hoover's authority you and Mr. Lasater requested me as chairman of the hog committee to call a meeting of representative hog growers at Waterloo; and added that you were then on your way out here.

I immediately sent telegrams to some 75 of the most level-headed hog producers in this part of the corn belt.

When you arrived at Des Moines you showed me a memorandum in Mr. Hoover's own handwriting, indicating the sort of action he hoped the meeting would take. When I saw this, all of my doubts as to the advisability of the meeting vanished, and I heartily agreed with you that it was well it should be held.

We went to Waterloo, and the next day found between 60 and 70 of the broadest hog producers in this part of the country. The situation was explained to them carefully, and a committee was appointed to draw up resolutions which would express the sense of those present. This committee went into session, and while it was preparing the resolutions you went to the dairy show which was being held some miles away, to make a talk, returning but a very short time before the committee made its report.

I know of my own knowledge that Mr. Requa's assumption that you influenced the committee to suggest that hog prices be established on the basis of the value of 14 bushels of corn to 100 pounds of hog is entirely without reason. I remember very distinctly that when you and I were talking it over after the meeting adjourned both of us expressed surprise that the combined judgment

of the exceptionally strong men who formed the committee was to the effect that such a ratio would be necessary to bring about the increase in production asked for by the Food Administration.

I had nothing whatsoever to say to the members of the committee on this matter of ratio, and, while of course I am not familiar with any conversation which you may have had, I am fully satisfied in my own mind from the conversations you and I had about it that you exercised no influence to persuade them to bring in such a report.

The report of the committee speaks for itself. I look upon it as a most able presentation of the situation at that time; and it clearly reflects the sober judgment of level-headed men who are exceptionally familiar with hog production in the corn belt.

Mr. Requa suggests that this report was not regarded in the light of a confidential report to Mr. Hoover. Certainly it could not be in the nature of a confidential report. It was a large meeting attended by representatives from six or seven different States, and there was no suggestion that it was to be a secret meeting, or that its proceedings should be regarded as confidential. On the contrary, every effort was made to impress upon those present the necessity for increased hog production, and to lay upon them the duty of going to their respective homes and spreading this information as widely as possible, to the end that such increased production might be stimulated.

The hopelessness of the situation is reflected in Mr. Requa's statement that there was no justification for such a ratio, and that it was, "so far as I know, not founded on any careful investigation. There is ample statistical proofs to indicate its error, and I have always believed this figure to be purely arbitrary," etc.

It is perfectly evident that if Mr. Requa read the report of this Waterloo committee, he read it very hurriedly, or is unable to understand its spirit. There is no suggestion in the report, nor in any interpretation which has been put upon it except his own, that the ratio of 14 to 1 represents the cost of production. Quite the contrary. It was given as a ratio which in the opinion of these experienced men would be necessary to bring about the greatly increased production which the Food Administration had urged.

Mr. Requa says further in his letter: "The proof of all this lies in the fact that when Mr. Hoover did summon a committee of experienced men, they did not bear out the 14 to 1 ratio, but recommended 12, and under certain circumstances 13 to 1." This is all the more discouraging, because Mr. Requa clearly misstates the facts. The committee of experienced men to which he refers not only bore out the 14 to 1 ratio but increased it. They recommended that a ratio of 11.67 to 1 was necessary to cover the cost of production; that to bring swine production back to normal it would require at least a ratio of 13.3 to 1, and that to increase production by as much as 15 per cent above normal it would require a ratio of at least 14.3 to 1. In other words, the more carefully selected committee which met at Chicago, the report of which the Food Administrator accepted, and has acted upon in part and has published, suggested a higher ratio than the Waterloo committee which Mr. Requa criticizes so unjustly.

It is a matter of most intense and most disagreeable surprise to me that such an important member of the Food Administration as Mr. Requa should so misinterpret the action at Waterloo and so unjustly criticize the part which you had in this action, and should further so misrepresent the action of the committee of experienced men which met in Chicago. It would make it very difficult for me to give full credit to what Mr. Requa may say on other matters.

Mr. Requa charges Mr. Lasater with failure to grasp the magnitude of the work of the Food Administration and the perplexing problems which surround it. From the letters which I have seen and from long experience, I fear that if the Food Administration fails it will be because of the unwillingness of those high in authority to give consideration to the judgment of practical men who are thoroughly familiar with actual conditions.

I think I understand the feelings of yourself and Mr. Lasater at the ungracious reception which your sincere and patriotic efforts have met. I wish to express my very great admiration for the spirit in which both of you have acted. You displayed at Chicago a charity and patriotism which might well be emulated by some of those with whom you have tried to work.

As I said to you the last time we met, I am very fearful of the future. I am fearful that within 18 months we may experience a real famine in foodstuffs,

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a condition which might have been averted by wise action on the part of those in authority in our Food Administration and our Department of Agriculture.

Very truly, yours,

HENRY C. WALLACE.

I beg to be allowed to close this statement by having a letter to Mr. Hoover, signed by the president and secretary of the American National Live Stock Association, which is self-explanatory, printed into the record:

AMERICAN NATIONAL LIVE STOCK ASSOCIATION,
Denver, Colo., December 12, 1917.

(Personal.)

HON. HERBERT C. HOOVER,

United States Food Administrator, Washington, D. C.

DEAR MR. HOOVER: At a meeting of some of the officers and members of the executive committee of this association in Chicago on December 4 the letter from E. C. Lasater to you, under date of November 12, 1917, and the reply of Mr. Requa, of November 23, 1917, were read. The latter communication contains the insinuation that Mr. Lasater, in his work with the Food Administration, was actuated by a selfish purpose and was seeking to gain an unfair advantage either for himself or for our industry. Such an imputation is most unjust, and we can not permit it to pass unnoticed.

We highly regard Mr. Lasater's ability; we greatly admire him for his intense patriotism, for his unselfish devotion, and for the personal sacrifices he made to help our country in its struggle to maintain our ideas of civilization; and we deplore that the purity of his motives has been impugned. His departure from your force is a matter of keen regret to us, for we recognize his especial fitness to aid in the solution of the many live-stock and agricultural problems confronting the Food Administration.

Yours, respectfully,

I. T. PRYOR, *President.*

T. W. TOMLINSON, *Secretary.*

STATEMENT OF MR. J. M. WILSON, MCKINLEY, WYO., REPRESENTING THE WYOMING WOOLGROWERS' ASSOCIATION.

MR. WILSON. My name is J. M. Wilson; born in Scotland; 65 years old; address, McKinley, Wyo. I represent the Wyoming Woolgrowers' Association in particular, and I want to make this statement that the Wyoming Woolgrowers' Association is not strictly a woolgrowers' proposition. In Wyoming probably one-half to two-thirds of the cattle are owned by sheepmen and probably two-thirds of the sheep are owned by the cattlemen. In other words, the old distinction of cattlemen and sheepmen has passed away there. There is one region in the southern part of the State—the south-central part—that is nearly all sheep. There is another region in the southwestern part of the State that is nearly all cattle. The balance of the State, occupying at least four-fifths of the territory, is both sheep and cattle, owned and run by the same men.

What I want to try to do to-day is to give you the opinion and the condition of mind of large bodies of men, taking the Wyoming Woolgrowers' Association as a starter, and then introducing such collateral testimony as I can to show that this is not a condition peculiar to Wyoming, but is also held by other States in the West. In fact, it is a condition of mind with nearly all our producers. To do this I want to take the resolutions passed, and I take it for granted that you do not care for any part of the resolutions except those that are germane to the investigation here.

The CHAIRMAN. That is correct. You can print them all if you prefer to have them printed in the record.

Mr. WILSON. Oh, no; all that I care for—there is only one thing in the resolutions in Wyoming, the first part of the resolution, and we ask that our soldier boys be paid. Wyoming has—I don't know whether you know it or not—but Wyoming furnished more soldiers for this war in proportion than any other State in the Union.

The CHAIRMAN. In proportion to the population?

Mr. WILSON. Certainly, in proportion.

Mr. STEPHENS. Well, it has the biggest representation in Congress, doesn't it, of any State in the Union?

Mr. WILSON. The best representation, we will admit. Now, before the resolutions were adopted—the resolutions of the Wyoming Woolgrowers' Association were adopted on the 11th—we had two or three copies of what is known as the Sims bill, and this resolution was adopted on the floor of the convention one day ahead of the resolutions, the regular resolutions, and was a little out of order; but, still, it was the will of the association, and we were instructed to send to our delegation in Congress this message. Now, I will say we sent this—this copy is sent to F. E. Warren, but Senator Kendrick and Mr. Mondell both got similar messages:

LANDER, WYO., *January 10, 1919.*

F. E. WARREN,

United States Senate, Washington, D. C.:

The Wyoming Woolgrowers' Association, in convention assembled, by unanimous vote to-day, instructed me to wire our Senators and Congressmen, protesting in the most emphatic manner against the passage of H. R. 13324, known as the Sims bill, as we do not want to risk inefficiency for the present efficient method of handling these matters in this critical moment of our reconstruction.

J. B. WILSON, *Secretary.*

That was sent in ahead of the regular resolutions.

Mr. GLASGOW. Mr. Chairman, may I interrupt one moment? I don't want to be discourteous to Mr. Lasater, who is going to make a statement, but I am obliged to get back to my office.

The CHAIRMAN. I didn't know whether you wanted to be present or whether he wanted you to be present.

Mr. LASATER. I would just like to make this statement, inasmuch as he is more familiar with the records of the Food Administration than this committee can be; I prefer him to be here when I make my statement, so there can be no question but what he can compare what I say with the records of the Food Administration.

Mr. GLASGOW. I hope you will not consider it a discourtesy, but I must get back to my office.

The CHAIRMAN. The only trouble was that Mr. Wilson gave way this morning, and he has been waiting a long time. Proceed, Mr. Wilson.

Mr. WILSON. Now, here is the part of the resolutions that has reference to the matters germane to this committee:

Whereas live-stock producers responded to all Government appeals for increased production of food and wool during the war, and that now there seems to be great probability of heavy imports of such products from foreign countries;

Therefore be it resolved, That we ask our congressional delegation to use every means to secure such embargoes and import duties as will permit our own products to meet the imported articles upon an equal basis as computed by the cost of production.

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Whereas the unanimous sentiment of the wool growers of Wyoming is opposed to Government management or ownership of the railroads;

Therefore be it resolved, That we request our Representatives in Congress to use their influence in securing the return of the management of the railroads to their owners.

Further be it resolved, That we request our Representatives in Congress to oppose all legislation proposing Government control or ownership of marketing facilities of live stock and meat products.

Adopted by Wyoming Woolgrowers Association, January 11, 1919.

Now, that is about all the resolution. I would like to say this, too, while I am going on, if I do not make myself clear I will be pleased to try to answer any questions or try to clear it up.

Now, those are the Wyoming resolutions.

The CHAIRMAN. Now, proceed and make your statement in sequence, just as you desire to do it, and then when you get through the members of the committee will ask questions.

Mr. WILSON. Those are the resolutions passed on the 11th day of January. As corroborative of the testimony, showing that this feeling exists in other places, the Idaho wool growers had a convention and passed these resolutions on the same day that we passed ours, at a distance of about 500 miles apart. These are the resolutions, and I have simply taken an excerpt that bears on the condition here.

The CHAIRMAN. And similar to your; to those passed by the Wyoming association?

Mr. WILSON. No; they corroborate those, but are in different language, and they go still further:

RESOLUTION—IDAHO WOOL GROWERS' ASSOCIATION.

Whereas, the business of converting our live stock and poultry into food products and the handling of same and other highly perishable food commodities, such as eggs, butter, fruits, etc., has been scientifically developed during the past 35 years, eliminating waste, and reducing loss and damage to these necessities to a minimum, and

Whereas, during this period a system of distribution has been developed whereby these products have been attractively placed on sale in every part of the United States, and in fact throughout the world, thereby greatly increasing consumptive demand, a condition favorable to producer and consumer alike, and

Whereas, during this period of development, improved facilities for handling live stock and food products such as stockyards, refrigeration plants, refrigerator cars, etc., have been provided adequate to the needs of the business,

Therefore, be it resolved, That we, members of the Idaho Wool Growers' Association, fail to see whereby Government ownership and operation of the packing houses, refrigerator plants, and cars, stockyards, or any other part of this business, would be to its efficiency or better serve our whole people. In fact this business as now conducted, is of international importance, serving the people of the civilized world. This fact has been well established during the four years past. It is the feeling of the members of this association, that the "packers" as they are commonly termed, should be applauded for the wonderful way in which they were able to supply food for the millions of men at the front battling for the world's freedom, and at the same time provide meats and other foods for us and our allies' civilian population.

Therefore, it is further resolved, That we protest, most urgently, to our Senators and Representatives against legislation having for its object Government ownership of packing houses, stockyards, or any of the accessories thereto. By wise Government supervision, which we recommend, abuses, if any, can be overcome, in our judgment.

That is the part of the Idaho wool growers' resolutions that has reference to that.

I will say that while I am president of the Wyoming Wool Growers' Association, I am also on the executive committee of the American National Live Stock Association, and was on its committee of resolutions this year. They held their session, I think, on the 25th or 22d—21st to the 23d—of January. That is two weeks ago, and their resolutions are not printed yet. As I remember, their resolutions were 30 odd, and I wouldn't be at all surprised, when they are printed, that some one part of one resolution may contradict some other part of another, because they were so voluminous that it was almost impossible to check them up. But I will say that the American National Live Stock Association, with the exception of the phraseology changing it to the American National Live Stock Association, from the Wyoming Wool Growers' Association, adopted the same resolutions exactly, word for word with the exceptions that I will point out that the Wyoming wool growers did.

The CHAIRMAN. That is the same association that Mr. Burke and Mr. Lasater are from?

Mr. WILSON. Yes. I served with Mr. Lasater a year ago on the executive committee, and also on the resolutions committee—the same association exactly.

Now the question came up as to what control—if “control” and “supervision” were the same. In the Wyoming resolutions you notice we used the word “control,” and some of them insisted that control was supervision and supervision was control; while some of the rest of them claimed that the railroads were under the control but not supervision. So the resolutions we had there were this, as introduced:

Whereas, we request our Representatives in Congress to use their influence in securing the return of the management of the railroads to their owners; further be it

Resolved, By the American National Livestock Association at its 22d annual convention at Denver, Colo., January 21–23, 1919, that we request our Representatives in Congress to oppose all legislation proposing Government control—

Now, that far it is all right, but at the suggestion of Judge Cowan, the word “control” was changed to “operation.” Now, with that exception they are identical, and one other exception: “Ownership of marketing facilities of live stock and meat products, but favor such regulation as shall be adequate and necessary.”

Now, with that exception the excerpt from the Wyoming Wool Growers' Association and the resolution—this resolution was passed by the American National Livestock Association—

Mr. SANDERS (interposing). Not to interrupt you, but is that the resolution that is in controversy as to whether it actually passed or not?

Mr. WILSON. Why, it can't be, because here is the copy [indicating].

Mr. SANDERS. But there was a question here, Mr. Wilson, yesterday or the day before as to whether a certain resolution had actually been passed by an association or not, and what I want to get at is whether that is the resolution in question.

Mr. LASATER. I would like to say, Mr. Sanders, that this resolution is a different resolution and a different association. That was the Texas Cattle Raisers' Association.

Mr. SANDERS. And it doesn't refer to this at all?

Mr. LASATER. No.

The CHAIRMAN. This was a meeting at Denver, beginning on the 21st of January?

Mr. WILSON. From the 21st to the 23d of January.

Mr. SANDERS. Then that is an uncontroverted resolution?

Mr. WILSON. Yes, sir; as I said before. I didn't bring the resolutions here, because they are not printed yet.

Mr. SANDERS. I just wanted to know whether that was controverted or not.

Mr. WILSON. Now at that meeting this message was received from Helena Mont., and is signed by R. P. Heren, president of the Montana Stock Growers' Association. Montana is getting a good bit into the condition that Wyoming is in regard to cattle and sheep. They are mixing up a good deal, but the stock growers' association, my recollection is, is the cattle growers' association. We have a cattle growers' association in Wyoming, and my recollection is the stock growers' association, because at the time it was organized there wasn't any sheep in the State. Now, this is sent to the delegates they had from Montana at the American National Live Stock Association:

HELENA, MONT., January 20.

H. W. DONALD,

Care American National Live Stock Association,
Denver, Colo.

Montana Stock Growers' Association in executive session:

"Be it resolved, That this association is opposed to Government ownership or operation of live-stock facilities as proposed by the Sims bill now before Congress. We heartily indorse and recommend Government supervision over these public facilities; that should legislation, as provided for in the Sims bill, have the indorsement of the American National Live Stock Association, we will be compelled to withdraw our membership in such association, as we consider such action detrimental to the best interests of the live-stock growers of Montana."

See that this is read before convention and given publicity.

R. P. HEREN,

President Montana Stock Growers.

That is signed by Mr. Heren. That was reported to the executive committee, and the members, especially of the marketing committee, appeared to be very much incensed that anybody should think that they even suggested Government ownership at any time. They denied all responsibility for that and claimed it was a packers' propaganda that was going over the country; that they had never for a moment dreamed or had never advocated Government ownership of any of these facilities.

Mr. BARKLEY. They were mistaken about its being a packer propaganda, however, weren't they?

Mr. WILSON. Well, that is their claim now.

Mr. BARKLEY. They claimed that the packers induced the Federal Trade Commission to recommend it?

Mr. WILSON. No; their claim was this: That this idea going out that this marketing committee had been in favor of Government ownership was done by the packers to get a false impression in the minds of the people. Now, we sent out a questionnaire to our people in December, I think—maybe in November—and among other questions the question was asked, "Are you in favor of public ownership of railroads; and if so, why? And if not, why not?" And the best answer we got on that, from my own knowledge of railroads, was by

one man, and he said he was not in favor, and, asked why, "Because you have got nobody to talk to." And that is exactly the condition.

The CHAIRMAN. Got nobody to what?

Mr. WILSON. Nobody to talk to.

The CHAIRMAN. Nobody to talk to?

Mr. WILSON. That is, nobody to come and make a complaint to or ask for redress, or anything of that kind, and that is exactly the condition.

Mr. BARKLEY. I understood you to say that they claim that the packers started the propaganda referred to the agitation in behalf of this bill?

Mr. WILSON. No; oh, no. It was a propaganda putting the members of the marketing committee in a false light as favoring Government ownership.

Mr. BARKLEY. I misunderstood you.

The CHAIRMAN. I understood you to say that they claimed this was packer propaganda for this bill?

Mr. WILSON. Oh, no.

The CHAIRMAN. I knew they had opposed it very strenuously here.

Mr. WILSON. Oh, yes; certainly. Now, I received in the mail from home this morning—this is from the record stockman of Denver, Colo. Now, I am not going to give you the date of it, because they have cut the date off, just cut the slip out, but it occurred in the last week, because it was after the stock show. Now, the stock show at Denver is one of the largest stock shows in the United States, outside of the International at Chicago, and there is more stock sold there than, I believe, there is at the International. This year at Denver there were between 3,500 and 4,000 bulls sold that were on there, and there was carload after carload of stock sold, and I think there was something like 200 or 300 Red Cross calves that had been given by the stockmen in different parts of the country to the Red Cross were sold there. So that there was an immense sale, and it is an immense association and growing every year. Now, they had an election of officers—I don't suppose that interests anybody here, but they are all representative men of Colorado, and this says they discussed several matters for new buildings and Government ownership. Then it says:

Government ownership or control through bureaus, of the packing, stockyards, and allied industries was discussed, and it was practically the unanimous opinion of the members that such regulation as is necessary should be made by law and certainly the power contained in such regulation should not be delegated to any one man or bureau, as proposed in pending bills.

The members were of the opinion that probably the stockyards' interest would not feel like going ahead with new buildings needed for the show if they were to be hampered by the regulations proposed.

The members of the association were unanimous in their opposition to Government ownership or control in any shape or form of any industry. A committee consisting of Dr. T. F. De Witt, Prof. G. E. Morton and George Wells was named to bring in resolutions covering the situation, and the following resolution was proposed and unanimously adopted:

Resolved, That the members of the Western Stock Show Association in annual meeting assembled, do hereby declare themselves as in favor of any neces-

sary regulation of the packing, stockyard, and allied industries by law, rather than by licensing or investing an individual or bureau with power to make rules and regulations having the effect of law.

It is a clear-cut resolution; no doubts or anything else in it. It just simply says that if they need anything they would rather have it by law than to have it by any board. Now those people have been down to Washington here before some of the boards, evidently.

Now, I come nearer home. I see in the Washington Herald this morning just exactly what we anticipated and were afraid of all the time, that this agitation and the Federal Trade Commission's report on the packers was going to be taken up in foreign countries and was going to destroy what export trade we have; and if the export trade, and especially beef—and I will say pork, too—is not kept up it means absolute destruction and disaster for the live-stock interests, because we can not use the amount of beef that we are producing in this country. I see in the other office building—the Senate Office Building—that they had said that the reason they thought the live stock was declining was on account of the cutting up of the big ranges. That may be true in some parts of the country, but it is not true in Wyoming. In Wyoming to-day I believe we have got as many cattle as we ever had in its palmiest days. In fact, we have got, I think, a great deal more than we have had most of the time. We have got now something like a million head of cattle in Wyoming. That does not include milch cows. I believe they call them “other cattle.” Milch cows are separate. And in addition to that we have 4,000,000 head of sheep. Now, I want to be clearly understood: We have got as many cattle as we ever had in range days, and in addition 4,000,000 head of sheep.

The CHAIRMAN. In Wyoming only?

Mr. WILSON. In Wyoming. We are the banner sheep State of the Union, producing more wool and mutton than any other State, and the reason for that is the very cutting up of those immense ranges. You take from the mountains, there is a series of creeks that come from the mountains down into the valleys, the plains, that come fan shaped, and finally get into a creek, and when you get down to the Platte River those creeks will probably be 8 or 10 miles apart, and on those creeks they are covered with ranches and irrigated, and every one of those ranchmen have small bunches of cattle or small bunches of sheep. The cattle range from 50 head up to 300 or 400, and those cattle are brought in in the winter and cared for. So I feel satisfied that Wyoming will produce, under the new conditions, at least 25 per cent more meat than she ever produced. Not only that, but will avoid these immense losses that have come; that have wiped out entire flocks and entire herds. I have known of one man putting in 10,000 head of cattle one winter and collecting less than 100 head the next spring.

The CHAIRMAN. In these valleys you speak of?

Mr. WILSON. No; not there. That is in the old days.

The CHAIRMAN. You said “put them in.”

Mr. HAMILTON. The chairman wanted to know what you meant by “putting them in.”

The CHAIRMAN. Yes; what do you mean by that?

Mr. WILSON. They bought them in Texas and brought them up the trail or the railroad.

The CHAIRMAN. And put them in Wyoming?

Mr. WILSON. Yes.

Mr. SWEET. Put them on the range?

Mr. WILSON. Turned them on to the range.

The CHAIRMAN. You said "put them in." You had just spoken about these valleys, and I thought you meant put them in the valleys.

Mr. WILSON. That is a phrase that we use. We put in a bunch of sheep this winter or a bunch of cattle.

Now, I got this from the Washington Herald this morning: "London, February 5."

BRITAIN TO INVESTIGATE ACTIVITIES OF PACKERS; UNITED STATES REPORT TO FIGURE.

London, February 5.—According to plans to-day, the inquiry into the activities of the American meat packers in this country will be short, but effective. It is not proposed to attempt to call any of the American packers or their representatives as witnesses unless they voluntarily offer to testify.

The investigating committee will be formed of representatives from the board of trade and the food and agricultural ministries. Their investigation, a high official of the board of agriculture said, will be informal. They will review in a broad way certain statistics as to meat prices in Great Britain. New witnesses are expected to be called. A short cut to adjournment will be taken by the probable adoption of the report of the American Federal Trade Commission. The American packers will be given an opportunity, if they wish it, to "read in" corrections of the American commission's report, but this will not mean the committee will accept the "correction." Findings will be submitted to departmental heads, who will formally submit a joint report with recommendations as to what action is advisable to Parliament. Parliament then may act.

There, gentlemen, is what we in the West have been afraid of all the time, that this constant agitation showing all these enormous profits the packers are supposed to have made, would react naturally, and especially as shipping resumes its normal course and they can get beef from the Argentine, because they can send it a lot cheaper than we can; and we believe that it is worse that we should have any agitation especially at this time. Our people have had the idea all the time that this agitation eventually would be taken cognizance of in foreign countries, and especially as they are putting embargoes on us against manufactured goods, and I believe our ideas were right, and that is the reason that I call your attention to that article. I did not expect to find that in Washington, and I only found it this morning.

There has been a great deal of talk here as to whether the producer got his proportion of the value of live stock, and as to what the material was sold for, and I believe some one here said he remembered when pork was sold at 2 cents alive sold as finished product for 5 cents. That is my recollection, and that when it went to 2 cents, it was 3 cents higher. It seems to me that would make 66⅔ per cent. Now, then, a 17½ cent hog sold in the same proportion ought to sell for 66⅔ cents more dead.

Mr. SANDERS. Never in this world.

Mr. WILSON. Is not that 66⅔ per cent?

Mr. SANDERS. Not at all, sir; in no way, shape or form. You have got to deal with it on the basis of the pound, but not on ratios.

Mr. WILSON. We used to sell beef in Wyoming at 6 cents on hind quarter, and the forequarter at 5 cents, and now I think they will

make something more than 4 cents difference in the hindquarter, but we used to always just sell at 1 cent difference.

Mr. SANDERS. You can not figure that in pounds of hog like you do on a pound of raw sugar, and the difference between the price of raw sugar and the price of refined sugar. You have got to figure on the cost of the refining of the raw into the finished product, and, therefore, when you come to hogs you must figure the cost of the refining of the raw product, the hog, into the finished product, the pork, and it has got to be done by pounds and not by the proportion you mentioned.

Mr. WILSON. I believe the Federal Trade Commission shows the packers buying a certain proportion of stuff. They used the percentage there.

Mr. SANDERS. That is on the buy.

Mr. WILSON. Showing the percentage very close, and yet a fraction of a per cent will make 25,000 or 30,000 head of that material. I have a report here entitled "United States Department of Agriculture, Office of the Secretary. Report No. 113; contribution from the Office of Markets and Rural Organization, Charles J. Brand (chief). Meat Situation in the United States."

The CHAIRMAN. Is that last year's report, the report to the present session of Congress?

Mr. WILSON. It was issued October 7, 1916.

The CHAIRMAN. That is two years ago.

Mr. WILSON. He goes on to give the "Distribution of proceeds of nine lots of cattle marketed through centralized markets, including beef and by-products." In lot 1 he takes an animal that sold for \$195.53. The producer got \$155.06; shipping and marketing expenses for the live animal itself were \$2.85; packers' gross margin, \$16.50; and the retailers' gross margin was \$21.12. Then it goes on with several other lots and in lot 4 he gives the returns to the producer as \$57.17; shipping and marketing expenses \$7.16, which was more than the first one, but the expense of that was because of shipping a longer distance; the packers' gross margin is \$6.24 and the retailer's gross margin is \$1.35, and there is a notice that says that was the jobber. They make this summary:

From the preceding recapitulation of accounts it will be noted that 54 to 85 per cent (omitting decimals) of the gross returns was received by the stockmen; 1.5 to 5 per cent, and in one lot, 10 per cent consisted in shipping and stockyards expenses; approximately 2 to 8.5 per cent went to the packer; 8 to 33 per cent to the retailer, and in one instance less than 2 per cent to a jobber. The striking variation shown by the accounts of the different lots are due in part to differences in the distances the cattle and beef were shipped, as well as in classes of trade and conditions under which the products were sold. Considering these variations it may be said that the distribution of returns indicated by the data is approximately two-thirds to three-fourths to the stockman, 3 to 4 per cent shipping and stockyards expense, 5 to 6 per cent packing and wholesale distribution, and 15 to 20 per cent retailing.

So I think it is easy to see from that that if some method for retailing could be arrived at that would cheapen the price of beef, there is a better chance in the retailing end to get results to cheapen the product than anywhere else.

The CHAIRMAN. Do you regard those figures as substantially reliable?

Mr. WILSON. Yes; they have made experiments that have been carried out.

The CHAIRMAN. They show that the packers' profit on the head of cattle that sold for \$195.53 was \$16.50, whereas they have claimed that they did not make over a profit of \$1.

Mr. WILSON. No; that was on the gross deal. For that he had to butcher it; that was not profit; it was the cost to the packer. He had to butcher it, he had to put it in the refrigerator and kill it; he had to ship it to these other points and distribute it.

The CHAIRMAN. This \$16.50 covers profit and expenses?

Mr. SANDERS. \$15 went for expenses of killing, marketing, and \$1 went to profit, according to Mr. Armour.

Mr. HAMILTON. Armour's figures were on averages. The witness is mentioning one specific case.

Mr. WILSON. There are nine cases mentioned.

Mr. HAMILTON. You have mentioned a steer that sold for \$195.53. You are taking the specific profit on that particular steer.

Mr. WILSON. I quoted from below, where it gives the average of the whole thing, which was considerably below that. I just used that one illustration, but did not take the time to read the whole list. I will give you an illustration of what we did. We are situated more favorably than some other people, being only 3½ miles from the depot, and in the summer time we considered it much more profitable to buy our beef from the packers and sell them our cattle. We did that right along.

The CHAIRMAN. \$21.12 went to the retailer, including all expenses?

Mr. WILSON. Oh, yes; that was his gross.

Mr. SANDERS. He may have made a loss?

Mr. WILSON. He may have done that easily if he did not sell it. The packer sells the beef carcass for less than he pays for the live animal.

The CHAIRMAN. The meat carcass?

Mr. WILSON. The beef. That is, he will do this: You can sell a steer, say that \$195.53 steer, to the packer, and he will kill it and give you the four quarters; not the tongue, and not the liver or heart, but the two sides of it; every pound of edible beef in it for less than he paid for the live carcass. He does that right along.

Mr. SANDERS. Of course.

The CHAIRMAN. In effect, he gives the meat away and makes a profit out of the rest of it—gives it away in the sense of profit?

Mr. WILSON. Yes. I think it is something like 5 to 15 per cent less than the cost, dependent on the dressing qualities of the animal. They figure the average dressing value is at 52 per cent. There are lots of them which are over that and others that will not dress over 40; some, like the prize cattle that are fattened especially, average as high as 62, and some even higher. Now, there is a whole lot of statements that have been going around saying this is done and that is done, and one fellow says another is a representative of a propaganda, and the other says he is a representative of a propaganda. What we are interested in the West in finding out is if there is any way that the packers need supervision it should be provided, but I feel that the resolution adopted by the stockmen of Denver came

nearer giving the feelings of the West than any resolutions I have seen, to the effect that if you have to make some change make it in a law, and not in a law that puts Commissioner Somebody in charge of it, because such a man is human and may not see things the same as he might under other conditions.

The CHAIRMAN. You are in favor of regulation or supervision?

Mr. WILSON. With a law.

The CHAIRMAN. You have to have an instrumentality to execute the law.

Mr. WILSON. Don't let that instrumentality have the right to make rules and regulations that have the power of law.

Mr. SANDERS. You want Congress to legislate and not delegate its authority to somebody else?

Mr. WILSON. That is my idea.

The CHAIRMAN. Of course the law will have to be executed by somebody.

Mr. WILSON. But make it so that he can not make a ruling one day and another ruling to-morrow, and another the next day, and another a month from that.

Mr. HAMILTON. You have been getting a good deal of experience with Government-made law?

Mr. WILSON. I believe so, especially in land laws, because we can not find any of our lawyers who know what they mean, so they look up the latest decision of the Land Commissioner, or the latest decision of the department.

The CHAIRMAN. But by and large, the present conditions are satisfactory to you?

Mr. WILSON. Yes. There has been a whole lot of talk going around loose, and the talk is that the packers have got an absolute monopoly; and there is one statement made in Denver by a man that a great many of you know, and he is absolutely honest; he would not have made this statement if he had looked it up himself, but he had some one look it up for him, and he made his statement on that authority. He gave the number of packing houses in Chicago years ago, and he went on to say that the number of packing houses had decreased very materially until now he said there were only 5. I think there are at least 16 Government inspected packing houses in Chicago. I know that man would not have made that statement under any conditions if he had known the facts; he is absolutely honest, but he had somebody look the matter up, and they had heard all this talk of the five big packers controlling everything, and the natural inference was that there were only five packing houses there.

I noticed in the paper recently that the Omaha Packing Co. is selling \$1,500,000 worth of stock. They are a packing company that has been in existence for some time, but their business is increasing so much that they use 1,500,000 cattle, and the stock is selling readily, I understand. They are not connected with any of the big packers.

Also, there is quite a propaganda in the East with regard to the packers' profits through certain agricultural associations, and there is not any question that a member of the marketing committee paid for part of that propaganda in actual cash.

Mr. HAMILTON. A member of the market committee?

Mr. WILSON. Yes.

Mr. ESCH. Of the American National Live Stock Association?

Mr. WILSON. Yes. They gave the names of two of them, if I recollect aright; but I can not remember the names, but they were some agricultural institutions in the East here, with a large membership.

Mr. SANDERS. You do not attack that as improper; you concede that it was perfectly legitimate?

Mr. WILSON. Absolutely, perfectly legitimate; but it seemed to me it was aiding these other people to get out a propaganda that they probably could not have gotten out themselves.

Mr. SANDERS. If that man believed in it, there is nothing improper in the man having put up the money to get it out?

Mr. WILSON. Absolutely not, any more than a great deal of propaganda is being spread.

Mr. SANDERS. There is nothing more improper about that than for you to spend your own money to come here to give your views?

Mr. WILSON. The Wyoming Wool Growers' Association is paying my expenses.

Mr. SANDERS. There is nothing more improper in him doing that than in you doing this?

Mr. WILSON. The Wyoming Wool Growers' Association in their resolutions are not isolated, but that is the general feeling in the West and among the producers.

Mr. SANDERS. I wanted to get your idea as to whether it was improper for this man to put up the money.

Mr. WILSON. Not any more than to know that he did, only people passing on the bill might not think it was proper and think it a part of their propaganda and probably not pay it.

Now, I want to talk to you about this proposition that they have got entire control of the market. This is from the Chicago Tribune of last Sunday, and it gives the hogs sold at Chicago on Saturday, February 1, and for the year 1919 up to that date, which would be one month and one day. I have copied it here so as to make it easier to read. On Saturday, February 1, there were 26,800 sold, and 40,000 carried over; the market was glutted. Out of the total of 26,800 the small packers bought 12,500, and what are known as the large packers bought 14,300, a difference there of not quite 2,000 head.

The CHAIRMAN. And 40,000 that nobody bought?

Mr. WILSON. 40,000 that nobody bought. For the week ending February 1 there was a total of 195,100 of which the so-called small packers bought 94,300 and the large packers 100,800. You see there is not very much margin in those amounts.

Mr. SANDERS. Just slightly over 50 per cent.

Mr. WILSON. Yes. To date, February 1, 1919, there were 1,055,800 head of hogs sold, in one month and one day. Of this the small packers bought 491,500 head and the large packers bought 564,300.

Mr. SANDERS. Again the large packers bought slightly over 50 per cent.

Mr. WILSON. In other words, it does not look very much like they had absolute control, if the other people were buying nearly as much as they did. They probably bought 49 per cent and the large packers 51 per cent to 52 per cent. They talk of the stock decreasing. The total shipment of all classes of stock shipped in January was the largest in the history of the yards, amounting to 1,989,681 head, nearly 2,000,000 head of live stock, being 70,000 larger than the previous banner month of any year.

Mr. WINSLOW. At what markets?

Mr. WILSON. Chicago.

Mr. HAMILTON. These hogs were selling at 17½.

Mr. WILSON. And not only that, there was an embargo on the Monday after this, and there were only 2,000 that came in, when there were usually 20,000 or 40,000, because the railroads refused to load the stock when there was more than the houses had facilities to handle, and if it was not for this 17½ arrangement with the Food Commission, I do not think there would be much of any price for them, because they are all afraid this market is going to drop and they are trying to get that stuff in just as fast as they can get it.

Mr. HAMILTON. They think they are getting a good price?

Mr. WILSON. They know that they are, under the conditions, and they know that if it was not for this fixed price they would be absolute losers by a great many dollars.

The CHAIRMAN. The embargo was put on by the packers?

Mr. WILSON. No.

Mr. LASATER. If you will permit me there, I would state that the embargo was put on not by the railroads but by this committee that Mr. Brown testified to the other day to regulate the flow of hogs to market. The railroads only acted in conjunction with this committee that was created by the Food Administration.

Mr. ESCH. The question is as to the wisdom of that act.

Mr. HAMILTON. The statement was that the stockyards were filled to capacity and there was not a place for these hogs.

Mr. WILSON. There has been a large amount carried over right along, day after day. Ordinarily, in the stockyards, shipments are light on Saturday, and as a rule there are not stocks of live stock carried over to Monday, but the condition was such that they absolutely had to do it.

The CHAIRMAN. Economically, was it not advantageous to keep them at home rather than ship them up there and pay stockyards charges until they could be killed?

Mr. WILSON. They can not kill them; the packing houses are killing their limit.

Mr. SANDERS. The embargo was the proper thing.

The CHAIRMAN. It was better for the stock owner to keep the stock at home than to ship to Chicago, until it could be killed?

Mr. WILSON. Yes; much better. In regard to the packers closing up the small ones, this is from the Drovers' Journal Yearbook, one of the live-stock papers published in Chicago:

The percentage of the small packers' kill in 1910 was to the total 32.7 per cent. That is all the small packer got in 1910.

The percentage to 1916 kill over 1910 for the small packers amounted to 250.49 per cent. That was their amount over what they had killed in 1910.

Mr. SANDERS. What was the percentage of that year?

Mr. WILSON. 250.49 per cent.

Mr. SANDERS. That is of gain. What is the percentage to the small packer kill in 1916?

Mr. WILSON. I can give you that in a moment. The percentage small packers kill in 1916 was 47.63 of the entire kill in 1916. The percentage in 1910 was 32 per cent.

Percentage of increase total kill 1916 over 1910, 171.82 per cent, by all packers.

Percentage of increase, five packers, 1916, over 1910, 133.63 per cent.

So you see they lost, proportionately, and the small ones gained.

In 1916 the hogs bought by the five large packers amounted to 4,144,261, and bought by the so-called small packers, 3,768,839, and you will notice the percentages last Saturday and last week and last month were just about the same proportion, so you have got the arrangement running right through the whole thing, so that the so-called large packers are putting up something like 51 per cent of the hogs.

Mr. WINSLOW. So that the percentage of increase of the small packers was in favor of the small packers by 116 per cent.

Mr. WILSON. Easily.

The CHAIRMAN. At the same ratio they will be in the majority soon.

Mr. WINSLOW. They will eat them up.

Mr. WILSON. I do not think they will eat them up, but they will continue to be competitors.

The CHAIRMAN. The big packers will be praying for relief pretty soon.

Mr. WILSON. I have one thing here in regard to the beef arrangement that I want to call your attention to. This is an official bulletin and shows the beef trade through December 26, 1918. It amounts to something like 40,818,000 pounds of beef closed on this day, and approved by the board of review. Out of that the big packers sold to the Government 30,151,000 pounds and the so-called small packers sold 10,667,000 pounds.

The CHAIRMAN. Three to one.

Mr. WILSON. A little over one-fourth. That was the fresh beef. The John Agar Co., of Chicago, sold 1,000,000 pounds, and John Murrell & Co., of Ottumwa, Iowa, sold 1,350,000 pounds. The largest sale by any one packer was by Swift & Co., 10,000,000; the next Armour & Co., 8,000,000; Morris & Co., 5,500,000, and Wilson & Co., 3,500,000, and the Cudahy Co. sold 3,000,000, and Swift & Co. sold at the San Antonio, Tex., plant, 151,000. The total was 40,818,000, of which the so-called small packers sold one-fourth. It was earlier than this when the Government ordered 150 cars of fresh beef every day, and it was shipped as fast as it could be; the first day they failed to fill that many, but they had 150 cars going every day until they cried that they were loaded up and could not move them. But the small packer has been selling beef all the time. We have a small packing house in Cheyenne, the Hammond Packing Co., and Mr. Hammond told me that if he was put under the same restrictions

that the big packers were he would simply have to quit business. He is 105 miles from Denver, where Swift and Armour have packing houses, and he entered into competition, and sells his product in competition with them, asserts he could sell twice as much as he has, but he has not houses enough to run them.

The CHAIRMAN. Did not the 9 per cent apply to any packer?

Mr. WILSON. No; he had to sell a certain amount.

The CHAIRMAN. Any packer within a certain amount?

Mr. WILSON. Yes. But he did not have that amount.

The CHAIRMAN. The 9 per cent did not apply exclusively to the five large packers?

Mr. WILSON. No; anybody selling over a certain amount.

The CHAIRMAN. Mr. Armour testified that the big packers made less per unit of hog than the little ones did.

Mr. WILSON. I remember the statement of Mr. Morris, that of the \$5,000,000 profit they took \$300,000 for the stockholders and put the balance back in the business. I see an article from our home paper that says they made \$8,000,000, but their statement as published in the other papers purported that they made something over \$5,000,000 and took \$300,000 out for their stockholders and put the other \$4,000,000 back into the business.

The CHAIRMAN. That was Morris & Co.?

Mr. WILSON. Yes. The total slaughtering at inspected houses compared with combined slaughtering by the five large packers shows that the highest percentage of the large packers was in 1916, when they killed 83 per cent of all the cattle killed in the inspected houses. That was before we got into the war and Europe had nowhere else to go but the large packers to buy from; they did not know there were any small packers. It went from 71 in 1913 to 72 in 1914; 75 in 1915; 83 in 1916; and 73 in 1917. When it came to the calves they did not kill as many, and of sheep they killed not quite as large a percentage as the cattle. These figures are from the Department of Agriculture.

The CHAIRMAN. The big packers have all testified before us and given the same character of information concerning their business.

Mr. WINSLOW. This is the first time we have had tables of comparison between the large and small packers.

Mr. WILSON. The purchase of the five largest packers in 1916 shows the following:

	Number of head.	Average dressed weight.	Total dressed weight.
		<i>Pounds.</i>	<i>Pounds.</i>
Cattle.....	6,097,183	543	3,312,300,000
Calves.....	1,438,969	106	151,095,000
Sheep.....	8,969,462	41	367,729,000
Hogs.....	20,350,372	154	3,134,000,000
Total.....			6,965,124,000

A comparison of the total slaughtering of the five largest packers with total slaughtering in the United States inspected houses in 1916 was as follows:

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1891

	Number slaughtered under Bureau of Animal Industry in- spection per B.A.I. bulletin.	Average dressed weight.	Total dressed weight.
		Pounds.	Pounds.
Cattle.....	8,310,000	543	4,512,330,000
Calves.....	2,367,000	105	248,535,000
Sheep.....	11,941,000	41	489,561,000
Hogs.....	43,073,000	154	6,633,242,000
Total.....			11,883,668,000

Total dressed weight, 5 largest packers.....pounds...6,965,124,000
Percentage of 5 largest packers.....58.5

A comparison of the total slaughtering of the five largest packers with the total slaughtering in the United States in inspected and uninspected houses and on farms in 1916 shows the following:

	Percentage of total United States slaughtering done in Bureau of Animal In- dustry Inspect- ed houses per Department of Agriculture Re- port No. 109.	Total number slaughtered in inspected and noninspected houses and farms, arrived at by using per cent per Report 109.	Average dressed weight.	Total dressed weight of total United States kill.
			Pounds.	Pounds.
Cattle.....	56.39	14,736,665	543	8,002,009,095
Calves.....	35.46	6,675,127	105	700,888,335
Sheep.....	78.95	15,517,860	41	636,232,260
Hogs.....	58.88	73,178,729	154	11,269,521,266
Total.....				20,608,653,956

Total dressed weight, 5 largest packers.....pounds.. 6,965,124,000
Percentage of 5 largest packers.....53.8

I take it that what this committee desires and what Congress desires and the people are after is to get pure meat as cheaply as possible to do justice to the producer as well as to the consumer. As to the supervision of packers, they are supervised. You can not go to any Government-inspected house without finding a man there in a white apron, watching every process of the killing from the time the animal is killed until it is put into the cured product, and you will see Government stamps put on, and without that stamp they can not ship them. So we have that inspection in that shape.

I forget which gentleman of the committee asked one of the witnesses if he thought there was evidence enough to pass any bill. From what I have seen I would not know what to do. I might call attention to the reason that the Sims bill was considered alone by the wool-growers' association of Wyoming, because we did not know there was a Kendrick bill and did not have a copy of it.

The CHAIRMAN. And the Senator was from Wyoming.

Mr. WILSON. Yes; and we have the same objection to the Kendrick bill as we have to the Sims bill, absolutely.

Mr. SANDERS. You are "agin" both of them?

Mr. WILSON. Absolutely; we do not think them just to the livestock growers of the country.

Mr. ESCH. Is Senator Kendrick a grower himself?

Mr. WILSON. Yes; but I think he has closed out his range business and is mostly now in the pastures.

I do not know that I have anything else to say, except this. Mr. Cowan, attorney for the American National Live Stock Association, in making an address to the stock-growers' association, closed with this:

Quoting from President Roosevelt's autobiography:

Facing the immense complexity of social and industrial conditions, there is need to use freely and unhesitatingly the collective power of all of us; and yet no exercise of collective power will ever avail if the average individual does not keep his or her sense of personal duty, initiative and responsibility.

And that is the way we feel, that if you are going to pass a law here giving certain powers to the Government, or hampering us too much, you are going to destroy all initiative, and initiative is what has built up this country. In Wyoming if the cattle go down we will have to go to something else. If sheep go down we will have to go to something else, because we can not raise them at a loss long. We will get a loss this year, and may be next year we will go along pretty well. If we can get two or three good years we have got something as a buffer to take care of the bad ones; but I am sincere and honest when I say I believe either one of those bills, or anything that will put the control in the hand of a ministry over something as highly specialized and technical and scientific as the packing business can not do anything but harm, but if there is anything that can be done it can be done along the lines of the resolution I read, make it a law and do not trust it to anybody; do it by an absolute law so that the Wood Commission could not make a price, and we are opposed to price making.

Mr. SANDERS. You mean price fixing.

Mr. WILSON. Price fixing. I do not think this Government is big enough to make a price on cattle under conditions that would be of any benefit at all. I was at the first hog conference they had here, and with the hog you could apportion that, where there are not so many grades as there are in cattle, but with the cattle it is impossible even to make a price because there are so many different grades, and one animal will sell on the market, just as good beef, I think, for 10 cents, and another for 18, because it has a heavier carcass, and the Quartermaster's Department did not want beef below certain weights. If they had taken the other stuff and had taken stock with ordinary weights I do not think there would have been so much trouble.

The CHAIRMAN. You think we had better endure the laws we have than fly to those we know not of?

Mr. WILSON. I think so. We have got enough troubles now. The Bolsheviki are going to give us trouble enough.

Mr. ESCH. Is this market committee, of which Mr. Fisher is the legal representative, who has appeared before us, a committee appointed and authorized by the American National Live Stock Association?

Mr. WILSON. Yes.

Mr. Esch. And the American National Live Stock Association at its last convention adopted a resolution against Government ownership of the various accessories of the packing business?

Mr. Wilson. Just as I read to you; yes.

Mr. Esch. Then how do you account for the fact that the market committee, through Mr. Fisher, appeared before this committee urging the adoption of this bill?

Mr. Wilson. Has he appeared before it since the meeting of the association?

Mr. Sanders. That resolution was adopted on the 22d?

Mr. Wilson. On the 21st and 22d.

Mr. Sanders. Mr. Fisher was here before that—a week before that.

Mr. Esch. Was your association advised of the action of Mr. Fisher in appearing before this committee in support of this bill?

Mr. Wilson. We had the report of the market committee, but they were very indignant. Mr. Burke, I believe read the report, and he was very indignant that anybody should lay claim that they were in favor of Government ownership of anything.

Mr. Esch. Did your convention take any action withdrawing from the market committee its powers?

Mr. Wilson. They did not.

Mr. Esch. Then, if Mr. Fisher should again appear before this committee advocating this bill, it would be in contravention of the attitude of the American National Live Stock Association?

Mr. Wilson. There is not any question about that.

Mr. Esch. Then we are to understand that that is the situation?

Mr. Wilson. Absolutely.

The CHAIRMAN. In fairness to Mr. Fisher I think it ought to be stated that he said it was only as a last resort would he advocate going to Government ownership.

Mr. Esch. Your association, as I understand you, do not stand for the taking over by the Government or the railroads of refrigerator cars?

Mr. Wilson. We do not.

Mr. Esch. Or of the stockyards.

Mr. Wilson. It makes little difference to the stock grower who owns the stockyards if we get service, and we are getting splendid service. We have shipped to Omaha and Chicago and we get magnificent service, and the service is worth more to us than is the question as to who owns the yards. No; I do not think any of them ought to be taken over.

Mr. Esch. You have stated that your resolutions desired such regulation as may be adequate and necessary?

Mr. Wilson. Yes.

Mr. Esch. It would be of great value to this committee if you could tell us concretely wherein such regulation should lie, and how you would go about regulating by law.

Mr. Wilson. At the present, as I said, we are very well satisfied with conditions, and if the packers are only making 9 per cent, we are making no complaint.

Mr. Esch. Do you think some relief could be afforded you by some proper amendment of the car-service act, which was approved the 29th of May, 1917, giving the Interstate Commerce Commission very large powers?

Mr. WILSON. As far as the refrigerator cars are concerned, they do not concern the live-stock shipper, only as it would hamper the packers in getting rid of the material. The condition in Chicago, and I think there is the same condition in Omaha, and I would have gotten those figures but did not have time, show that their coolers are nearly full; they have got to get rid of that, and if they have to depend on the railroads for cars, I do not believe the service will be anything like as good as it is now. As I understand, the packers, when they send a shipment, send a tracer to follow that car and handle it as quickly as possible and get it back as quickly as possible. The railroad does not have that. I recollect our getting a car last year. When we got it we unloaded the car in less than the specified time and notified them, and that car was lying on the track 40 days afterwards. The packer would not have had that happen; and if these cars are turned over to the railroads I believe the service will not be anywhere near as good as it is at present. With this fresh-meat proposition you have got to get rid of it quickly.

The CHAIRMAN. If present conditions are satisfactory, what is the use of any law at all?

Mr. WILSON. I doubt whether it is necessary.

The CHAIRMAN. If it is satisfactory, it is not necessary.

Mr. SANDERS. We have certain regulations you would not be in favor of doing away with, such as inspection regulations?

Mr. WILSON. That inspection as given to meat products of the United States is a certificate of health and good condition that is good anywhere in the world.

The CHAIRMAN. I meant additional regulations?

Mr. WILSON. No; I do not think we do.

Mr. ESCH. The car-service act would control not merely the refrigerator cars, but also all private-owned stock cars.

Mr. WILSON. We have never had any trouble with the railroads in getting cars until this fall. We had a little trouble this fall, but the reason of it was they could not get the power to move them. I happened to be here in Washington and they wired me, and I found that they could not get the power to move them, and not only that, when I got back to Omaha I learned that the stockyards could not have used them.

Mr. ESCH. Do you sell on the Denver market?

Mr. WILSON. Some.

Mr. ESCH. It has been stated that Armour and Swift divided that on a fifty-fifty basis, and justified it on plant capacity. What has been your experience in selling on the Denver market?

Mr. WILSON. It is not a market you can send a large amount of stuff to, but we send two or three cars whenever we can, something like that, and generally we have got better than Omaha prices.

The CHAIRMAN. The fifty-fifty was only as to purchases.

Mr. ESCH. There are only two big plants?

Mr. WILSON. There is the Denver Packing Co. that buys some. There are not many in Denver. In Chicago there are a lot of them, and in Pueblo there is one kills a little bit.

Mr. WINSLOW. Do you feel that the consumer in the last two years has been paying more than he should have paid for meat and meat products?

Mr. WILSON. I think they have in places; yes.

Mr. WINSLOW. Where do you think the fault lies?

Mr. WILSON. I think it is in the cost of retailing.

Mr. WINSLOW. Not the profits of the retailer, the cost of retailing?

Mr. WILSON. The cost of retailing. I recollect that 15 years ago we thought the commission men were not treating us fairly, and the American National Live Stock Association and the wool-growers' association got together and formed an independent commission company that we were to ship to, and it was fixed so that nobody could get control of it and nobody could have more than \$500 worth of stock, and at first they said the packing houses would not buy from us, and that is the only time I was ever in a council of the packers. There was a representative of Armour and I think one from Swift and one from Morris, and they said, "We will certainly buy and treat you just as fairly as we will any other commission house. If you have got the stocks here, we will give you fair treatment." That has been a good many years ago, and I can not remember the exact figures, but in all those large stockyards a very few firms handled live stock and the other firms, probably, I would say, three-fourths of them hardly had anything, just barely enough to keep them in existence. If we could have withdrawn those three-fourths of the firms we could have had just as good service and had our stock sold just as well and at less prices, but there is no way you can withdraw those people. And I think it is the same way with the butchers. By that statement you will find that the big expense of the whole deal was the butcher, or the retailer, but the retailer can not make a living for himself and family on selling 200 or 300 pounds of beef at a cent a pound profit, nor 2 cents nor 3 cents. That is a condition of things that I do not know how you are going to remedy.

Mr. WINSLOW. You do not quite answer my question. I should have asked you if, in view of all the expenses of the business from the breeder to the retailer, you think the consumer is being obliged to pay too much?

Mr. WILSON. I think so.

Mr. WINSLOW. Wherein is the remedy; wherein is the fault?

Mr. WILSON. The fault is in the retailer.

Mr. WINSLOW. Is that a fault, or a condition?

Mr. WILSON. It is a condition.

Mr. WINSLOW. If the retailer is himself confronted by conditions which he can not avoid, that becomes a necessary part of the expense, does it not?

Mr. WILSON. Absolutely.

Mr. WINSLOW. So if it costs all that, he must get it; and if he must get it in order to live, the consumer must pay for it?

Mr. WILSON. Yes.

Mr. WINSLOW. So that it really is not costing him more, in view of all the circumstances, than you would expect him to get it for?

Mr. WILSON. If the consumer expects to get very cheap meat, I think so.

Mr. WINSLOW. Do you think there is any stage in the operation from the retailer back to the breeder where you get any one of them who is at fault, and thereby increases the expense, or anyone who is getting more than his fair share of the profits?

Mr. WILSON. There is not.

Mr. WINSLOW. So then, you are confronted by a normal condition at this time?

Mr. WILSON. Yes, sir.

Mr. HAMILTON. Are you stopping at a hotel, Mr. Wilson?

Mr. WILSON. Yes, sir.

Mr. HAMILTON. You occasionally order beef?

Mr. WILSON. Yes, sir; I have not since I have been in Washington this time.

Mr. HAMILTON. Is that on account of the high price?

Mr. WILSON. Yes.

Mr. HAMILTON. The hotel man is getting a good deal more than his share, apparently, out of the price of meat.

Mr. WILSON. There is one place in Denver, the Manhattan Restaurant I believe it is called, where they buy their beef by the quarter or half and have their own cutters, and you can get as good beefsteak there, say, for instance, a T-bone, you can get for 50 cents that will cost \$1.50 here, and it is just as good beef and cost him probably just as much as it cost these other places. But if you have got a good cutter with beef he can make out of an ordinary piece of beef a pretty good steak, but if it is not cut right you can spoil the best meat in the world. Yet that restaurant is known all over the country for selling these steaks of extra quality at less than one-half the average restaurant in the country, and it is patronized so much that you can not get in there at the meal hour. For instance, at the stock show or convention we wanted to make arrangements to go there, and we could not get a table until 10 o'clock and it commenced that way at 4.

Mr. HAMILTON. Is the Federal Trade Commission taking testimony in Wyoming, Montana, or Idaho?

Mr. WILSON. Not while I was at home; if they did I did not know of it.

Mr. HAMILTON. You stated that the coolers at Omaha were full and you also stated that hogs had been coming into the Chicago market in great numbers. There seems to be a very great supply of meat.

Mr. WILSON. There is.

Mr. HAMILTON. Are our sales to the allies so large that the American consumer can have no benefit of this large supply of meat, as to price?

Mr. WILSON. It would appear that way.

Mr. HAMILTON. We are not getting any relief, and yet the market is being glutted with meat.

Mr. WILSON. Especially pork. The range shipments of beef have stopped; we do not ship from the range much after December. This year we shipped in January on account of having good weather.

Mr. HAMILTON. The retailer is continuing to hold us up.

Mr. WILSON. I think he has got to pay about as much. If the retailer would buy cow meat he would buy that probably anywhere from 5 to maybe 10 cents, even more than that, lower than the very best steer meat, and I do not believe any of you gentlemen, or myself, getting a steak from one or the other, if it was well fixed, could tell whether it was a cow or a steer.

Mr. HAMILTON. I reckon we do not know much different; we take what they give us. But the law of supply and demand does not seem to be helping us any.

Mr. WILSON. It has not so far. Now, they tell us we have got to supply 20,000,000 tons of food to feed Europe and the starving countries.

Mr. HAMILTON. But there is a good deal of meat on hand, and to feed Europe, as has been suggested, you would use salted meat?

Mr. WILSON. The chilled pork does not go abroad. That goes into the market just as soon as possible. If I gave the impression that they were loading up with beef, I meant with pork.

Mr. HAMILTON. If there is plenty of pork, that ought to afford some relief.

Mr. WILSON. They can not kill it; they have not facilities enough to kill it as fast as it is shipped in.

Mr. HAMILTON. Here is an enormous supply and the market is fairly glutted, and yet the consumer is not getting any benefit from it. They have not got the guaranteed price on pork?

Mr. WILSON. They have got the guaranteed price on pork.

Mr. HAMILTON. That price guarantee stands in the way, then?

Mr. WILSON. My own opinion is that if it were not for that guarantee, pork would be down at least 5 if not more cents a pound.

Mr. HAMILTON. That is, we are buying pork under an artificial arrangement?

Mr. WILSON. That will be the case until you get this price-fixing arrangement out of the way. You know the custom is that when we ship to market and we get a good price we think we are lucky and that it was due to our good judgment, but when we get a poor price we condemn the packers.

Mr. SANDERS. In referring to the cattle raisers you have referred always to the condition that you found in the West, and what I wanted to ask you is whether there is any difference between the things that will benefit the western producer of cattle, as distinguished from the southern producer of cattle.

Mr. WILSON. There is not.

Mr. SANDERS. The same things that go to make your prosperity would go to make ours, in the same business?

Mr. WILSON. Absolutely. Anything that hurts us will hurt you. We are in the same boat.

The CHAIRMAN. Mr. Wilson, we are very much obliged to you. (Thereupon, at 4.20 o'clock p. m., the committee adjourned.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Friday, February 7, 1919.

The committee met at 10.30 o'clock a. m., pursuant to adjournment on yesterday, Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. J. SPENCER SMITH, PRESIDENT OF SMITH & NESSLE CO., NEW YORK CITY.

The CHAIRMAN. The committee will come to order. The first gentleman who will appear before us this morning is Mr. J. Spencer

Smith, of New York City and the State of New Jersey. Mr. Smith, you may make your statement that you may wish to make in connection with the subject of the bill introduced or anything that you think will be of benefit to us in understanding the situation; transportation feature, packing feature, grocery feature, terminal feature, or anything else that you think will be of benefit. You will be permitted to make your statement in chief and after that the members of the committee will likely want to ask questions touching what you have said. Proceed now and tell what your position is and what opportunities you have had to know about the testimony you propose to give.

Mr. SMITH. Thank you, Mr. Chairman. Would you like me to give my business relationship as well as my public connection?

The CHAIRMAN. Yes; if you please.

Mr. SMITH. I am president of the Smith & Nettle Co., of New York City, importers and exporters, dealers in packing-house products as well as food products generally; president of the Board of Commerce and Navigation of the State of New Jersey; a board having entire charge and jurisdiction of the water front of the State. I am also vice chairman of the New York and New Jersey Port Development and Harbor Commission, a commission representing the two States (New York and New Jersey) and engaged in making a study of the economic cost of doing business through the port of New York, with the object in mind of making recommendations to the legislatures of both States for a comprehensive plan for governing the operation and handling of the commerce that passes in and through the port of New York. I am also at the present time chairman of the Board of Appraisers of the War Department, appraising the Bush terminal properties in Brooklyn. I believe the reason I was appointed was my knowledge of terminal conditions and port matters.

Now, Mr. Chairman and gentlemen of the committee, I have prepared a statement embracing my views in a general way with regard to legislation and, with your permission, would like to read it.

The CHAIRMAN. We will be very glad to have your read it.

Mr. SMITH. Assuming that the object of the proposed legislation in connection with the packing-house industry is for the purpose of insuring to the public that they will not be called upon to pay an excessive price for the products which they purchase, and also to the end that the business shall not be dominated by a few to the detriment of the many, would say that I feel no legislation of a regulatory nature, bearing directly upon the packing-house industry, is needed. I would go further and say that to enact the same would be detrimental to the welfare of the public. In making this statement I am referring to the management and running of the packing-house business only, and not to the adjuncts of the same, such as stockyards, refrigerator-car lines, etc.

My own opinion is, if the arteries of trade are kept free and open, that natural competitive conditions would insure to the public that they will not pay more for their needs than they should. The key to the creation of this competitive condition lies in the transportation problem. If the transportation system of our country—I am referring here to rail and water as well as vehicular methods of transportation—is properly coordinated and put upon the right basis, there

need be no fear that any group of men can control the packing-house industry or any other industry.

In this connection I thoroughly agree with the viewpoint expressed by Commissioner Woolley of the Interstate Commerce Commission in the statement he made before the Committee on Interstate Commerce of the United States Senate, when he said, "We should have a Nation-wide rate structure based upon a terminal-plus-straight-mileage charge. Without such a uniform arrangement no equitable development of our agricultural and mineral resources, our community life, and our small seaports can be accomplished.

In addition to the terminal-plus-straight-mileage charge, I would do away with the carload rate. In lieu of the carload rate, wherever a shipper for his own convenience shipped in full carloads, I would grant him a loading allowance, and a receiver unloading a car should be granted an unloading allowance.

As an illustration of the effect that the railroad rates play in the welfare of a business, compare the number of wholesale grocers and meat packers 25 years ago and to-day. Why do you suppose this condition has come about? It is because of the effect that railroad rates have had on the two businesses. In days gone by wholesale grocers in the large centers, such as New York and Chicago, sent their salesmen throughout the country. As time went on, small wholesale grocers sprang up in the various communities, purchased their goods on practically an equal basis with those located in the large centers, and, because of the difference in rates, were able to sell at a lower figure than the jobber in the big centers. So, as time went on, the activities of the big jobber were circumscribed to their immediate locality. On the other hand, the packers, through the medium of the carload rate, and the fact that their product was of such a nature that it had to be transported in car lots, were able to enter distant markets and put the local packer out of business, excepting in his own community, where he could deliver his product by his own vehicles.

If the arteries of commerce, by arteries I mean transportation facilities, are open to every one on equal terms and are at the disposal of the users of the same on a plane of equality, there can be no question but that the so-called big packers would be stripped of whatever power they may or might possess, and personally I believe that the big packers, whether they act individually or in combination, could not then possibly be a menace to the industry or to the public at large. As an example of this let me tell of what existed in our own business prior to the opening of the war in 1914. When meat and meat products were put on the free list and permitted into this country, provided they were properly inspected, we imported large quantities of canned meats and frozen mutton from Australia. We distributed these shipments throughout the eastern and central parts of the United States; we even sold to the large packers. As time went on, however, they themselves began to bring in their own direct shipments. We anticipated this competition, but notwithstanding the fact that they were bringing in their own shipments so far as the canned meats were concerned we were able to compete successfully with them, because they had no advantage over us—we were on an equality so far as the source of supplies were concerned. The same applied to transportation rates from Australia here and we were also able to make the same kind of shipments within the borders of

the States; that is to say, we could ship in carload lots just as well as they could. On the other hand, when it came to the frozen meats, however, a different situation presented itself. We could bring the frozen meat products to the port of entry, but owing to the transportation facilities, such as their own refrigerator cars, they were able to transport these products to inland cities much more advantageously than any individual importer could do; in fact it would be a risky matter for an individual importer to try to compete with them because of lack of proper transportation facilities. The result was that an importer was restricted in his market to the city or port where he brought his product.

The large packer is not to be criticized because he has these facilities; it seems to me the criticism should properly be leveled against our method of railroad control as well as the shortcomings of our communities in not providing the proper terminal facilities. In other words, we all know that we are suffering from ills and we are trying to find out who is to blame. We pick out those who seem to be responsible because of their success and size for the targets of our spleen; whereas we ourselves are to blame because we have not sought for the true source of the trouble. In my humble judgment the transportation question is the bull's-eye we should aim at.

During my business life I have been in competition with the large packers. Even when we were facing the iron ring of their business activities my sense of justice told me that those whom we were in competition with were not to be blamed for the conditions under which we labored simply because they were big and powerful, but rather we should seek to find out what advantages they possessed over us. My view being if we suffered from illegitimate handicaps to fight the same. On the other hand, if we were endeavoring to compete with forces stronger and better equipped to do business than we then we should direct our efforts along other lines.

My studies as a public official as well as my experiences in business have led me to believe that the source of the packers' power and strength has been very largely because of the transportation conditions as they have existed and exist to-day. I believe not only the problem presented by the packing-house industry but the high cost of living, and in fact the most of our social and economic ills, other than those inherent in our natures, could be easily overcome and in many cases done away with entirely through the proper solution of our transportation problem, both rail and water.

My conception of the duty of a government is to so adjust matters by law that artificialities of life created by man's invention and thought shall be so controlled that between man and man each shall have an unlimited opportunity to exercise his energies and abilities, provided the same does not interfere with the liberties or rights of his neighbor. If this is a true view of the function of a government, then I believe man's inventions in regard to the methods of transportation should be so governed by law that everyone will have equal access to the use of the same and upon equal terms, regardless of whether his use of the facilities offered be little or great. Going on this theory, I believe that the cost of transportation should be based on the service rendered plus a reasonable return on the capital invested.

Mr. Chairman and gentlemen of the committee, I think that embraces my views, generally speaking.

The CHAIRMAN. Fundamentally.

Mr. SMITH. Yes, sir.

The CHAIRMAN. Now, then, will you give any information you can with regard to terminal charges in New York City, and in regard to line hauls, and any other information you have as a business man, and an official, that will give us assistance to do something, if anything ought to be done; especially in connection with the special studies you have made in connection with the port of New York and the section that you have just referred to.

Mr. SMITH. Mr. Chairman, the joint commission is now making a full study of these terminal costs in the port of New York. Aside from our own studies, figures have been given to us, which, if my memory serves me rightly, show that the terminal cost at New York and Philadelphia is \$3.60, while the cost of the line haul is in the neighborhood of 27 cents for the moving of a ton between the cities of Philadelphia and New York.

We are constantly confronted in business to-day with the fact that railroad facilities are inadequate for the accommodation of the business; and we believe if they were put upon a proper plane, and if we could have the right kind of service, it would tend very greatly to reduce the costs of doing business.

One of the reasons we have always found why the larger houses, or the big packers, had the advantages which they possess is simply because of the fact that they have these facilities themselves; that they are large enough and conduct business to that extent which permits them to create these facilities, so that they have their own refrigerator cars and have men at the various receiving station following those cars up. And their business is big enough to warrant all that. And they create terminal facilities that help them in the handling of their products, which the smaller man can not possibly do.

Then, too, when you take the bringing in of meats or anything like that from abroad, the packers can send alongside the ship their refrigerator cars and have the meat taken out of the refrigerator rooms of the ship and transfer it directly into cars. And floats are sent over to Jersey City and the goods are distributed to various points. On the other hand, those of us who bring in our shipments from abroad have no refrigerator space in New York. That is, we have to put the goods on trucks and transfer it to the cold-storage warehouse, provided we have not got it sold. And if we have it sold, and a man wants to inspect it on the dock, we haven't the time for that, because it must be taken directly out of the refrigerator rooms of the ship and put into cold-storage space.

There is another feature in this connection, and that is the extra handling cost. Food, as a usual proposition, is sold on a very small margin of profit as between the men who handle it. Every time you put an extra cost on it, that must be passed along the line, and as it passed along the line, it multiplies the expense. Everybody figures on doing business on a percentage basis, and as the goods pass along through the different hands the expense rises.

To give you a little illustration, though it does not bear upon the packing-house industry, I will say that we are interested in a cannery

in Porto Rico. We have to ship our cans to Porto Rico. There is free lighterage in the port of New York for goods weighing over a certain amount. Those cans came from up New York State, near Batavia. The minimum lighterage rate—that is, for which there is free lighterage, is 15 pounds; nothing under 15 pounds. Anything under 15 pounds you have to pay for transportation from the Jersey shore. Those cans weighed a little under 15 pounds. Our freight bill on those cans was about \$400 and the cost of lightering that shipment from Weehawken to the ship's side was something like two hundred-odd dollars. You will see that was 50 per cent of the long line haul. That was a pretty serious matter as you may readily imagine. With the next shipment we had we simply tied two packages together and it brought the weight a little over 15 pounds, and the railroad had to pay the lighterage.

That is a local problem we have. That is a problem that the States of New York and New Jersey must solve and find a remedy for. Nevertheless, it gives an illustration of where the direct cost comes in, and where expense might be saved. If a railroad company is losing money on account of inadequate terminal facilities, or if the cost of doing business is too high, they naturally look to the freight rate to recuperate themselves.

In competition in the business field, we will take this carload rate that I have advocated abolishing. The tendency is, in fact, the rulings of the Government during our recent trouble were to the effect that cars should be filled to their maximum capacity. The result of that is simply this, that the small man ties up a great deal of capital, probably more than he can afford, to put into a shipment, in order to purchase in carload lots. In order to get his commodity at a low enough price so that his freight rate will put him on a plane of equality with his larger competitor, he has to tie up such an amount of capital that he finds himself at a disadvantage. The larger competitor at the same time is constantly increasing the minimum carload rate because the larger the carload and the greater the outlay the greater the advantage he has over the small competitor, and the less likelihood of the smaller competitor being able to purchase in carload lots.

Then, too, in trying to purchase in carload lots you are constantly tying up shipments in order to get a carload. It is an evil that runs throughout the business life. If you will do away with the carload rate, you will avoid these troubles, and I think the cost to the railroads will be no greater. I think the net returns to the railroads will be of no advantage in the carload rate over the less-than-carload rate.

In other words, I think the returns will be greater to the railroads in the less than carload than in the carload rate. I think there is a reason for that. In the less than carload rate cars are not more than one-fourth to one-third or one-half loaded. Those that ship in carload lots have to ship a minimum car.

It is difficult to cite instances to substantiate these statements I have made, but nevertheless, taking the sum total of my experience in business, I would like to say to you gentlemen that ever since I have been in business I have been in constant competition with the large packers, though they never knew it probably, because our competition was proportionately small; but, nevertheless, what it was it was heavy to us in trying to go ahead.

I am not trying to pay a compliment to the larger packers; in fact, it would be the reverse, if anything, because if a man could be embittered I would be embittered against them by reason of that competition. Notwithstanding that experience, I think as a packing-house industry they manage their business wonderfully well. I do not think it concerns the public whether an individual is successful or not if the packers, through superior business ability, manage to do business on a lesser cost or can sell their goods at lower prices than we can possibly do it the public is not interested in us as individuals. Where the public is interested and where we are all interested and where the hope of this country lies is in the fact that any young man from boyhood can have before him the prospect and the hope of having his own name before his own door. That he can feel he can engage in business successfully on his own account.

It seems to me it is the obligation and the function of those who make our laws to see to it that that is possible and that the underlying control, which after all is the transportation problem of our country, is open to every one on equal terms. And if that is true American grit and energy asks no favors. None of us want to be supported by small props. None of us are charity seekers. But we do feel, and I think it is right, for the American boy to feel, if he is willing to make the sacrifice of his time and apply his energy, that he can succeed and that there will be no obstacles placed in his way and that no one will have an improper advantage over him.

From my studies and experience I will be glad to attempt to answer any question that anything I have said may suggest to the gentlemen of the committee.

I would only like to say in conclusion that I feel if you will put the transportation problem on the basis of cost of service along the lines suggested by Commissioner Woolley, and go even further than that and eliminate the carload rate, that then the so-called large packers will absolutely have no advantage over anyone engaged in the business, and that the business would rest upon the fundamental principle of the law of supply and demand, and that progress, success, and profit would naturally result according to anybody's labors.

The CHAIRMAN. You think the real trouble is involved in the cost of transportation and terminal charges, and the advantages received in carload rates?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Which is discrimination or favoritism.

Mr. SMITH. Yes, sir.

The CHAIRMAN. Mr. Esch, I will reverse the order this morning and begin with Mr. Stiness.

Mr. STINESS. Do you see any reason for passing this present bill?

Mr. SMITH. No; I do not.

Mr. STINESS. Do you see any trouble of transportation that could be remedied by this bill?

Mr. SMITH. Well, I think those clauses referring to refrigerator car lines might be looked into from the point of view that it is a transportation function to furnish refrigerator cars; that it is the business of the railroads to furnish them. It does not seem to me that the packers should be permitted to own their own cars, and in this connection I am not speaking especially of the packers, but I

am speaking of any one. I do not think any private-car line is justified. I think that is a public function of the railroads and a part of their obligation to furnish facilities for the transportation of business.

Mr. STINESS. And the only remedy that you see would be in railroad control of these facilities.

Mr. SMITH. I think so; yes, sir.

Mr. STINESS. That is all.

The CHAIRMAN. Mr. Dewalt, you may take the witness.

Mr. DEWALT. I have no questions to ask at this time.

The CHAIRMAN. Mr. Decker, you may take the witness.

Mr. DECKER. I have none, I believe.

The CHAIRMAN. Mr. Rayburn, you may take the witness.

Mr. RAYBURN. What do you think of the proposition of Federal licenses for businesses?

Mr. SMITH. In what regard?

Mr. RAYBURN. In regard to this bill or any other bill that may come up; in regard to this business, I will say. I would like to have, however, your opinion upon the general proposition of Federal license for business. You are a business man.

Mr. SMITH. I would be opposed to it. Might I say in that connection, however, that I think the Federal inspection service, conducted by the Bureau of Animal Industry of the Department of Agriculture, is splendid. It is efficient and a proper function for the Government.

Mr. RAYBURN. That is one of the functions of government, and that is to see that clean and wholesome food gets to the people, through Federal inspection.

Mr. SMITH. Yes, sir.

Mr. RAYBURN. That is something that every concern that furnishes food to the people owes to the Government?

Mr. SMITH. Yes, sir; exactly.

Mr. RAYBURN. But you do not believe it is a function of the Government to go into the packing business.

Mr. SMITH. I think, absolutely not. That is why I said it would be inimical to the interests of the public, because, unless I am greatly mistaken, any kind of regulation on the part of the Government would redound to the benefit of the big packers and adversely to the small packers. They have their pile and they have their organization, and they would be glad to operate under a system that would return to them a fixed income, whereas the smaller man, not having the favorable conditions they have, would be under a handicap and could not hope to rise.

Mr. RAYBURN. You think ownership of cars is a transportation question and that they should be owned by the transportation companies of the country?

Mr. SMITH. That is the way it appeals to me.

Mr. RAYBURN. Are you of opinion that it would be possible for these great concerns that have to have refrigerator cars in large quantities, in order to handle their business, to hope to get the service that they get now through ownership of cars other than as conducted at this time by their own private ownership?

Mr. SMITH. You are asking a very practical question, and I think the only way I can safely answer the question would be to say that there is no reason why the railroads should not give that service, or

should not be compelled to give that service. They might not voluntarily want to do it, but they should be compelled to give that same service.

Mr. RAYBURN. There comes another very practical question about car ownership. I think every one of the packers here said that he was perfectly willing for anybody to control, as far as he was individually concerned, the refrigerator cars if he could get the cars.

Mr. ESCH. And the service.

Mr. RAYBURN. Yes; and the service.

Now, when a man has got a business big enough that he knows if he builds refrigerator cars, or any other thing that is an advantage to his business, that he can use himself and that it will be completely used, of course there is a great deal more incentive for him to build that thing or go into that line of business. You could not imagine a private corporation going into the refrigerator-car business when they would not know when they built those cars whether they would be used or not, could you? I do not mean railroad company, but private company.

Mr. SMITH. I am not quite positive I am right, but I think I am, when I say that there are and have been—well, I do not know whether there are to-day, but I know there have been a number of car lines that furnished refrigerator cars only, private car lines, not identified with any packing-house industry nor any railroad company. One of the companies that comes to my mind, though I do not know that I have the name right, but I think was the New York and something Despatch. That was operated as a private line. Then there was another car line operating out of Chicago. I think it was formerly connected, if I am right, with the German-American Packing Co., and I think they failed—the German-American Packing Co.—and some one of those interested took over this car line. You can look these matters up and get the facts.

Mr. RAYBURN. Isn't it a fact that it is the usual thing, where packers own these private cars, or somebody else owns them, for a specific purpose, that one kick is they get preferential service?

Mr. SMITH. That I am not familiar with at all. I never had occasion to be in that end of the business.

Mr. RAYBURN. Do you think ownership by people who were not entirely interested in one line of business, and, say, would not use a special type of car, do you think that such a corporation would probably operate these private cars as cheaply as others?

Mr. SMITH. That I do not know, but it seems to me you have got to come back to first principles, and hew to the line.

Mr. RAYBURN. In other words, your proposition is this: That the cars of the country should belong to the transportation companies and that they should be allowed, and that will allow them, to sustain them.

Mr. SMITH. Yes, sir.

Mr. RAYBURN. That is all.

The CHAIRMAN. Mr. Sweet may take the witness.

Mr. DEWALT. Will you let me ask a question there?

The CHAIRMAN. Go ahead.

Mr. DEWALT. One thing occurs to me: You said that the terminal rate at New York for a shipment from Philadelphia to New York was \$3 and something, and that the line haul rate was 27 cents.

Where is that difference made up, and where does discrimination come in in favor of the large packer?

Mr. SMITH. That has nothing to do with the packer. The chairman of the committee asked me about the terminal rate on the studies we were making in New York. That is a general matter. I did not know that I even referred to packing-house products in that connection.

Mr. DEWALT. That is all.

The CHAIRMAN. Mr. Sweet may take the witness.

Mr. SWEET. In what way in your business do you come in competition with the packers?

Mr. SMITH. For instance, we slice smoked beef and pack it in glass jars, under our own label, or the private label of wholesale grocers. We handle meat.

Mr. SWEET. You purchase meat from the packers?

Mr. SMITH. We purchase beef hams from the packers, large and small, the big five and the independents. We have tried to buy fresh beef and cure it ourselves and then slice the beef and smoke it and dry it out. But in each case our experiment has cost us so much more than we could buy from the packers, that we thought that the better plan. Then we act as sales agents for the smaller packers in competition with the larger packers. Before the war we were bringing in packing-house products from Canada, Australia, and South America, but very little from South America, principally from Australia.

Mr. SWEET. What did you get from Australia?

Mr. SMITH. Canned meats and frozen mutton.

Mr. SWEET. Where did you sell your meat?

Mr. SMITH. Canned meat throughout the United States east of the Rocky Mountains, and the frozen mutton we disposed of locally around New York.

Mr. SWEET. In distributing canned meat do you have peddler cars?

Mr. SMITH. No, sir; we sold to the large packers because we could bring in canned meat from Australia cheaper than they could pack in this country, and we sold to wholesale grocers.

Mr. SWEET. And you were successful?

Mr. SMITH. We were successful because we were the first in the field. Then the packers went out and brought their own shipments, and they cut out that part of our business. We could have continued to sell to wholesale grocers in competition with the larger packers.

Mr. SWEET. When the packers came into the field it drove you out?

Mr. SMITH. No, sir; it only reduced our outlet.

Mr. SWEET. And you have been reasonably successful in your competition with the packers, have you?

Mr. SMITH. I would say yes, reasonably successful.

Mr. SWEET. That is all.

The CHAIRMAN. I would like to ask a question in that connection. I got the impression, though it may have been an erroneous one, that on account of the terminal arrangements, lighterage, etc., the larger packers having their own cars could move them up alongside the ship that brought in meat from abroad and load them.

Mr. SMITH. Yes, sir.

The CHAIRMAN. And at much less expense than in the case of dealers like yourself.

Mr. SMITH. Yes, sir.

The CHAIRMAN. And that was due to local arrangements, or was permitted, and that gave an advantage which in itself materially militated against anyone else embarking in and doing what the large packers were doing, but what they could not probably do.

Mr. SMITH. That referred to frozen meats. We only brought in one or two shipments of frozen mutton, because the risk was too great. After going through the experience I have referred to, we said we wouldn't do it. Canned meats were in a different category. We continued that. But we naturally had to confine our risk in handling frozen meat to such as we could safely dispose of in the local community.

The CHAIRMAN. I do not understand you to make any complaint against the packers doing that.

Mr. SMITH. No, sir.

The CHAIRMAN. And they had the right to do that.

Mr. SMITH. Yes, sir.

The CHAIRMAN. But that you gentlemen who could not have these facilities could not compete successfully with them in the frozen meat industry. Is that right?

Mr. SMITH. Yes, sir; you are right.

The CHAIRMAN. I will recognize Mr. Winslow.

Mr. WINSLOW. Would you have any objection to having the packers run their cars just as they do now if there were accommodation accorded by the railways or otherwise for everybody else to have a like accommodation?

Mr. SMITH. Let me see if I get your question right: You mean if the packers should continue to operate their refrigerator cars, the railroads furnish others the same accommodation?

Mr. WINSLOW. Yes.

Mr. SMITH. I would think the answer to that would be no; there would be no objection. On the other hand, you have to take into consideration human nature and the impartiality of a company whose only interest is or should be to serve everybody.

Might I give an illustration here which I think may serve the purpose. It was at the time, I think, that the bill to create the Shipping Board was under discussion, or maybe prior to that. At any rate, I was talking with the director of one of the trans-Atlantic lines, a steamship company. We were discussing what governed the making of rates in the shipping world. He said, "Now, take for illustration, the packing-house business, or take shipments of tallow abroad. Frequently large packers will come to me and will want to get a rate on a large quantity, and I am apt to give them a higher rate than I would to you if you came along with a smaller quantity."

I asked, "Well, why?" He said, "It is to our interest to keep the small man in business, and the small exporter of tallow and packing-house products in business. If we keep the small man in business, we keep competition alive. If we gave a lower rate to the large packers because of larger quantities offered for transportation, it would only be a question of time until they will have an advantage

over the smaller man and put him out of business. Then they would be the only shippers offering us freight, and they could dictate terms. Then if we did not carry their goods at their rate, on account of the quantity they could offer, they would put on ships and carry it across themselves." He said, "Whereas, by keeping competition alive and strengthening the smaller man, the larger packer can not swallow him up, and we continue to have competition in everything in the way of freight and from a number of sources."

That illustrates and bears upon your question only to this extent: If the railroad companies have to furnish the service and serve everybody alike, you will probably get better service. Personally, as far as I am concerned, and to answer from my own thought, there would be no difference in theory whether the packer owned his own cars or not if equal and proper service were furnished to others by the transportation companies.

Mr. WINSLOW. Your contention is——

Mr. SMITH (interposing). Well, if you get things fundamentally right—that is, if you get your foundation right—I have always found that the rest takes care of itself so far as you can make it take care of itself. It is true that inequalities in life are always present. One man is superior to another. One man knows how to persuade another man to do something that still another man fails to do. But fundamentally, things will go along right if the foundation is laid right.

Mr. WINSLOW. Suppose the Interstate Commerce Commission had it within its power to exact of the railroads that they shall furnish to all individuals or companies opportunities to ship on the same basis as that afforded the larger packers, only all of the companies would hire instead of owning cars. What would you say to that situation?

Mr. SMITH. That the Interstate Commerce Commission would hire cars?

Mr. WINSLOW. No; the shipper would hire the car from the transportation company, whereas the packer would use his own car.

Mr. SMITH. Well, again you are dealing with a very practical question. All along the line packers have their men at these reicing stations to look after the attention given to their cars in the matter of reicing and of movement. Their business is large enough that they can afford to trace their cars and follow them all the way through, and see that they are filled with ice, and that the temperature is right, and make the railroad companies move the cars and follow them up generally. Now, if you take the small individual packer and he hires the car, he can not maintain such an organization; his business will not permit of it.

Mr. WINSLOW. You are on the wrong track as far as my question is concerned. I mean this: Suppose the Interstate Commerce Commission had the power by law to insist upon the same service being rendered to those who do not own cars, through cars owned and furnished by the transportation companies, we will say, as is actually afforded or obtained in the interest of people who do own their cars, what then would you say?

Mr. SMITH. Theoretically speaking, there would be no objection to it.

Mr. WINSLOW. Well——

Mr. SMITH (interposing). I mean, answering your question just as you put it, there is no objection to it that I can see.

Mr. WINSLOW. You are hinging your answer on that word "theoretical."

Mr. SMITH. Yes; because I think, from a practical point of view, you will find that the working out of the arrangement would be that the packers, with their organization and everything else, would accomplish, with their facilities—I will admit that it may be very small and not worthy of argument, hardly—but having their cars better taken care of than the individual man, there is, practically speaking, of course, a considerable advantage. On the other hand, if the railroad companies were required to furnish cars, and to furnish the same facilities enjoyed by the larger packers, they would treat everybody right. I think it rather a narrow viewpoint that I have just expressed; and, broadly speaking, I would say it would make no difference.

Mr. WINSLOW. Do you want to insist that it would be impossible for the Interstate Commerce Commission to force the railroads to give as good physical service with their cars as the packers can obtain with their own cars?

Mr. SMITH. Oh, no; I would not say that.

Mr. WINSLOW. Assuming that they can give as good physical service, is there any reason why the packers should not own their cars if a like service can be forced on the railroads in the interest of other shippers?

Mr. SMITH. None that I can see.

Mr. WINSLOW. Mr. Esch, am I right that the Interstate Commerce Commission now has that power?

Mr. ESCH. Yes, sir; I think so, under the car-service act.

Mr. WINSLOW. Now, if it is a fact that the Interstate Commerce Commission has the power to do that, what further legislation would you think necessary in order to cover the point?

Mr. SMITH. You come down to the local community problem and the terminal arrangements. A railroad company may not have refrigerator cars at some point. I am talking more particularly of New York. Meats come into New York, and the railroad companies might not have at their disposal refrigerator cars with meat hooks in them and all the rest of the paraphernalia to go with refrigerator cars in order to give accommodation. The packer has his cars present, and he puts the cars alongside the steamer and takes the meat.

That may come back to local conditions; and, in that respect, my own mind works along these lines: That terminals are community problems, and not a national problem. It is up to the community itself to furnish terminal facilities and necessary arrangements. Carried to its logical conclusion, if a railroad company would furnish a refrigerator car properly equipped with meat hooks and all other things necessary to properly handle meat, then it would seem there would be no need of added legislation in that particular respect.

Mr. WINSLOW. I am assuming that the railroads by law are bound to furnish adequate transportation facilities to the smaller man, who does not own cars; facilities equal to those enjoyed by companies that own cars themselves.

Mr. SMITH. Under those circumstances I would think there would be no difference.

Mr. WINSLOW. Wherein then would the little fellow get the worst of it.

Mr. SMITH. I shouldn't think he would.

Mr. WINSLOW. Then, if it is a fact that we now have legislation and laws necessary to enforce that situation, do you feel that we need any further law?

Mr. SMITH. Along the lines you have mentioned?

Mr. WINSLOW. Yes.

Mr. SMITH. No; except you come back to the argument I originally made about the less-than-carload rate.

Mr. WINSLOW. I am referring to the same facilities.

Mr. SMITH. No; I wouldn't say that on refrigerator car question you would need any further legislation.

Mr. WINSLOW. Now, a question that has been discussed and that I have been very much interested in, is about the young man, because you put this matter back as affecting the well-being of the young business man in respect to initiative, etc., which we all agree is important. Do you mind, for the sake of illuminating this point, answering some questions as to the development of your company?

Mr. SMITH. Not at all.

Mr. WINSLOW. I have no desire to open you up to your competitors nor to embarrass you in any way.

Mr. SMITH. Not at all. I can give you my own personal experience if you want it.

Mr. WINSLOW. When were you organized, and are you a corporation or a firm?

Mr. SMITH. As a firm originally. Suppose I run along, categorically, and give it to you.

Mr. WINSLOW. Well, I know just what I have in mind, and would prefer that you would answer it that way.

Mr. SMITH. All right.

Mr. WINSLOW. When were you organized?

Mr. SMITH. As a corporation in 1908.

Mr. WINSLOW. How as a firm?

Mr. SMITH. My father was an exporter of provisions, exporting abroad. He represented a firm in New York that was subsequently, as to plant and not business, purchased by Swift & Co. They were a firm doing nothing but export business. When I entered the business, at 15 years of age, they began to do a domestic business.

Mr. WINSLOW. At that point, when they began to do a domestic business, what was the capital stock of that concern?

Mr. SMITH. I could not tell you about that concern at that time, but it must have been worth several million dollars. They had quite a capital and a business. I was in the capacity of selling goods and went out on the road selling goods at 17½ years of age. I may not just be accurate about things back there.

Mr. WINSLOW. That is all right. From that time down, have you constantly grown?

Mr. SMITH. Yes, sir. But you know that a business-selling organization has its ups and downs. As a packer, we only engaged in the

slicing business that I told you about. We went into business with another concern that we were selling goods for and that was in 1908.

Mr. WINSLOW. Has the bulk of your business been the distribution of goods of packing houses?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. Of all packing houses?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. Has it increased?

Mr. SMITH. In 1914, when we were doing this import business I told you about, it was cut right off.

Mr. WINSLOW. Did it reduce it substantially?

Mr. SMITH. Well, that end of it.

Mr. WINSLOW. But you have increased generally?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. You are worth more now than when you started?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. You have succeeded in spite of the differentials between carload lots and small lots?

Mr. SMITH. No, sir; not in packing-house business, but by reason of the fact that we went into other lines. If we had not had other lines of business we would have gone by the board.

Mr. WINSLOW. Haven't you had to ship in small lots?

Mr. SMITH. Yes, sir; but we took in other lines. We went into canned-fish business.

Mr. WINSLOW. And you have increased your business?

Mr. SMITH. Don't you want to find out—

Mr. WINSLOW (interposing). Are you sure you know just what I am after?

Mr. SMITH. You want to find out the relationship of our own business in regard to the packing-house business.

Mr. WINSLOW. No, sir; to be frank with you, I have a different thing in mind more general than that. I want to know whether in the face of conditions you have succeeded in going up the ladder, as I hope you have.

Mr. SMITH. Yes, sir; that is all right. I think I have got your idea. But remember this, in the packing-house business we could not have succeeded, and if we had continued in that we would have had to go out of business. Had we confined our efforts, as I have stated, we would have gone by the board; by realizing the packing-house business was as it is, we got into other business, where we were on a line with our competitors. We could ship in less than carload lots and buy in carload lots, because we were doing business with people along the same line. It was only then a question whether we would work harder or they would work harder, or we would make better salesmen or they would make better salesmen. If we had had to confine ourselves to the packing-house products we would have had trouble forging ahead.

Mr. WINSLOW. You feel that the great number of smaller packers who have been in here testifying that they have not shipped in carload lots but have succeeded are on the wrong track?

Mr. SMITH. No, sir; but I think there is a reason. If I may give this reason, and you will accept it in the spirit in which it is given; simply from observation and not as facts, because I have not had an opportunity to get the facts myself, I will be glad to state it.

Mr. WINSLOW. Go ahead.

Mr. SMITH. At the period when rebates were cut out and were no longer given, and when everybody was put on a plane of equality as to their treatment, so far as the Interstate Commission was concerned, and the railroads had to give service to all alike, from that time on I think you will find that the opportunity for the small packer increased, and that he did increase from that time on, both as to number and volume of business, because in the packing-house business, generally speaking, if the packer could do enough to ship in carload lots the minimum was not so high that he could not do it successfully.

As conditions favored him going ahead, likewise it operated the other way against the big packers, for the reason that the big packer, with his large plant, had a much higher overhead than the small packer. If the big packer could operate his plant to full capacity, his overhead was small, but in the absence of operating at full capacity his overhead went up. On the other hand, the small packer, operating a small plant, did not have that heavy overhead against him, because he did not have to provide that great overhead for his normal business, and for the reason that he had the same treatment as far as railroad facilities were concerned he was able to make it pay, and as he came up the ladder and became more widely distributors throughout the country and the big packer was concentrated in the big centers, with his big plant and at a heavier overhead. you can see what it means to the big packer whenever he is not operating at full capacity.

Another factor that came into this was the lack of range cattle. Cattle fed on the big farms produce a better cattle and beef of better quality. With a decreased volume of business passing through the big packing plants and our exports decreased because Australia and South America supplied other characters of meat for countries abroad there was some change in the situation.

With this carload-rate proposition competition with the packing-house industry may not be quite so strong as I picture it. But in advocating taking away that carload rate I am trying to emphasize a principle, which is that as the railroads are absolutely essential to the conduct of business their services and facilities should be open to everybody on equal terms, irrespective of size.

We find men engaged in the wholesale grocery business bringing California products to the East, and the large wholesale grocer can bring them in carload lots, though it ties up a lot of money, and redistribute the products to the small grocers. The smaller grocers' business grows, and the man who is running his own business works longer hours and becomes more energetic, while the larger man may become more lax. The only thing I am trying to contend for is simply to get the principle right so far as transportation and its welfare to the public is concerned.

Mr. WINSLOW. Well, now, you do not contend that a railroad can carry small lots of goods as cheaply as it can carry carload lots.

Mr. SMITH. I think so. Let me give you my contention on that if you want it?

Mr. WINSLOW. I think you did give it.

Mr. SMITH. I mean in detail,

Mr. WINSLOW. All right.

Mr. SMITH. In the first place, if you cut out the carload rates and put the rate structure on the basis of mileage plus terminal charge, you will put every part of this country on a basis of equality. You will have no single community more favored than another. Instead of having capital tied up you will have money vigorously at work and create business, and business will naturally flow from the surrounding country to communities they are naturally tributary to. There is just so much business between two points, whether done in carload lots or in less than carload lots. The railroad equipment is the same, and the car capacity is the same, and the cost of the generating power and all other things that enter into railroading is the same.

Of course, if I load a car myself I ought to be granted something, because I have saved cost to the railroad. But as I have said, there is just so much freight to be transported. Freight comes to a railroad depot and it is loaded into a car. Whether that car is made up of one shipment or of hundreds of individual shipments, the cost of carrying the car is the same. It is true that you have an added cost for clerk hire and the paper used in making out various bills of lading. But aside from that extra cost, the investment cost is the same; the little trifling added cost because of clerk hire will go into your terminal charges anyway. If you go into business, you always try to add to the volume, and if you have volume, that reduces cost. I am entitled to a lower cost if I purchase goods in quantity. Why? Because I decrease the overhead, but I tie up capital on my part which costs more money, unless I have a quick turnover. If I buy merchandise in quantities I have in turn to redistribute it, to sell it, and it costs more money to do it. On the other hand, if I buy a larger volume, there is a saving.

But none of these factors that enter into a commercial transaction enter into the business of the railroad company, because you have so many tons of freight to transport between certain points, and you can put it on a basis of equality. And if you put the transportation service on a basis of equality, you are going to build up the smaller communities. You are going to rob the big cities of their power and it ought to be done. You will decentralize all our big cities and will help the smaller communities by giving them an equal chance. You will find that railways always favor a concentration of business in the big centers because it helps them. If you will study rates you will find that they favor the big centers. If you go into the matter carefully, you will find this community has a certain advantage, or that community has a certain advantage, and that when a plant seeks a location it looks after those things. This other plan would put them on an equality.

Mr. WINSLOW. Do you run an automobile?

Mr. SMITH. No, sir.

Mr. WINSLOW. Did you ever hear any one speak about operating one?

Mr. SMITH. I have heard of the cost of running an automobile.

Mr. WINSLOW. Haven't you always heard that it costs more to run an automobile while shopping up and down the street, than it does if you are making a straightaway run, because you do not stop every little way.

Mr. SMITH. I have not. I have not gone into those details.

Mr. WINSLOW. You are not mechanic enough to appreciate that without having run an automobile?

Mr. SMITH. I think it would be so.

Mr. WINSLOW. Don't you think it would cost a railroad more to stop and switch and unshackle a car here and shackle up a car again there, than to run through cars?

Mr. SMITH. I do not think that is putting the facts as they would be in reference to carload lots or less than carload lots. You have no difference at all as far as I can see after the cars are once loaded, and from my talks with operating railroad officials, I do not think there is any difference. You will not have any difference in the cost of the line haul, as I can see. And when you come back to the terminal charge, you put it on the basis of service.

Mr. WINSLOW. Suppose you answer my question and we will get to the point quicker that I have in my mind. If you want to make a less-than-carload shipment of anything, the first thing you do is to cart it to a freight station, isn't it?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. And you deposit it inside that freight station yourself?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. Then it has to be picked up by the porters or stevedores or whatever you call those freight handlers, and put in its place in a car. It waits for some more stuff to go into that car, whenever it gets around, until they fill the car. The railroad company does all that. Now, the car ultimately gets to its destination and comes up into the freight house, and the railroad proceeds itself with its stevedores or freight handlers to unload that stuff, shipment by shipment, setting it aside, checking it up, and doing everything connected with the process. Of course, as a business man, you do not contend for a moment that you can do something for nothing. You do know that every move you make, no matter how small, you must pay for. So you have had these operations thus far, to say nothing of any switching or anything of that kind between terminals. Now, contrast that with the carload shipment. When you deliver to the shipper a carload, you have the car set aside for him somewhere. And the man loads it at his own expense, packs the goods, at no cost to the railroad company whatever for anything except a single entry through the railroad records. When you get to the terminal the reverse is true. The car is set aside. It doesn't go into the freight house at all. You go and get your goods, and if you do not unload the car quickly you pay demurrage. And if you do not want to take your goods quickly and you want the railroad company to house the goods, it ships the car up to its freight house, unloads it under cover, and charges you for all that service.

Well, now then, isn't it perfectly clear that in handling a small shipment, or a number of small shipments, which go to make up a carload, for the handling of which the railroad pays, both the loading and unloading, that it costs the railroad more money than it does to set a car and have it filled by the operatives of the shipper, and at the other end sets the car and has it emptied by the operatives of the consignee? It must cost the railroad more money.

Mr. SMITH. Well, now, let us take your illustration: In the first place, I have agreed thoroughly with all you have said. But now let us see what bearing that has on my contention. When a man comes in with a carload lot, as you describe it, he is given an allowance because he performs a service that the railroad company would otherwise perform, and for that service, whatever that is determined to be, he is guaranteed an allowance because it suits his business to do it.

Mr. WINSLOW. What is the allowance?

Mr. SMITH. The unloading allowance. At the other end he is guaranteed a loading allowance because it suits him better.

Mr. WINSLOW. In the way of freight?

Mr. SMITH. No; I mean the cost of loading and unloading a car. I am taking your own illustration. That has nothing to do with your rate at all, however. He pays the line haul rate, and it has nothing to do with the terminal rate. The terminal rate is figured on whether he loads or unloads or does not. If he loads it, he is guaranteed the loading allowance. He is guaranteed an allowance for that.

Mr. WINSLOW. Is that the universal rule in this country?

Mr. SMITH. No, sir. I am discussing what would be the procedure in doing away with the carload rate basis.

Mr. WINSLOW. Oh, you do not figure that is a fact to-day?

Mr. SMITH. No; that would be the new condition.

Mr. WINSLOW. You are not answering my question, but are painting another picture.

Mr. SMITH. I beg your pardon.

Mr. WINSLOW. Let us get back again: Can you agree with the statements I have made as representing the facts?

Mr. SMITH. Yes, sir.

Mr. WINSLOW. All right. Now, let me go a little further and then you can paint your own picture. If then it costs a railroad less money to carry a carload lot than a less-than-carload lot, why shouldn't the railroad company, as far as justice goes——

Mr. SMITH. I do not say it costs them less money to carry the carload lot, and I am accepting your statement as being right as to the cost to a railroad of making up a carload or less than carload. But you must keep to the basis that you will charge for the line haul and terminal service.

Mr. WINSLOW. Well, I guess we had better get to our basis again.

Mr. SMITH. I think we agree on that all right, although I may be somewhat technical.

Mr. WINSLOW. Now, then, from the time a railroad sets the car for a carload lot to the time that that car is delivered and unloaded, assuming that it is done as promptly as it can be done, do you not admit that it costs the railroad less than it does to fill up a car with miscellaneous lots of goods in the way I have described it?

Mr. SMITH. The cost of filling up a car with miscellaneous goods will be greater than the other, of course. I agree with you on that. But as to the transportation of that car between two given points, the actual hauling of the car——

Mr. WINSLOW (interposing). Well, I haven't said anything about that. I did not mention that.

Mr. SMITH. Well, I agree with you on the other point.

Mr. WINSLOW. But the cost of the railroad is all of the expense of the hauling plus the handling.

Mr. SMITH. Yes, sir.

Mr. WINSLOW. If they haul at the same price—which they say they do but as a matter of fact they do not and you know it—if you say they do not have to meet the cost of loading and unloading, plus increased clerical work in connection with miscellaneous lots of goods whenever you send by carload lot; if the whole cost entering into a carload lot is less than the whole cost entering into the handling of a car loaded with miscellaneous shipments, why in justice all around isn't a railroad entitled to sell carload service for less than the other service?

Mr. SMITH. That is the question you want me to answer?

Mr. WINSLOW. Yes, sir.

Mr. SMITH. You have got to go back to first principles. If the railroad is essential to the conduct of our present-day civilization, then that railroad, as a fundamental underlying principle, must be open to everybody on equal terms, and those terms must be cost of service rendered. If it suits my convenience and my business to ship by carload lot and I load and unload my goods, I am entitled to consideration for the loading and unloading. If to some other man it is not convenient, nor does it suit his business to ship in carload lots, nor to load and unload goods, then that must be considered.

Mr. WINSLOW. That is the ideal arrangement that you want, is it?

Mr. SMITH. Yes, sir. If you do away with the carload rate, here is in practice what would happen: To-day business men everywhere accumulate shipments in order to get the benefit of the carload rate. Vice versa, the man buying goods tries to accumulate his orders so as to make up a carload in order to get the benefit of the carload rate. Everybody who does business and pays freight tries to ship his business along that line. Less than carload shipments are kept at a minimum by force of necessity. The result is that railroads furnishing accommodations to shippers have encouraged the carload rate. Prior to these shipping requirements which the railroads have inaugurated to cut down expense, these less than carloads were taken from one end of the country to the other, one-fourth, one-third, or one-half full, but at the same time the car was hauled at the same cost as if full, because the money invested in the car, and in the rails over which the car traveled, and in the engine which pulled the train, and the whole organization was there. It made no difference whether the car was one-third or one-quarter full, or was entirely full; the cost was there. The only difference was in the energy generated in the locomotive to haul so many thousands of pounds, and if there was a less number of pounds in the car, they could hitch on more cars to the train.

Now, if you will put on a flat hundred-pound rate there will be no incentive for an accumulation of freight. The business man of the manufacturer will continue to send along his freight steadily every day. It comes to the central point. Your extra cost comes in the matter of making up your bills of lading and clerk hire. Your handling over, the crossing board of the depot, as we will call it, it is true is a little higher, because, as you pointed out, you have to assemble carload lots. But after that freight is actually placed in a

car, after you have gotten, either that day or whatever time it takes, and the amount you need, and you have filled up the car, and you close the car door, from that time on the cost is no greater, because the investment is the same, and all of the cost is the same, until it arrives at its destination, as is the case with the man who loads a full carload under the present-day system. When you get to destination, the same thing happens; you have a slightly added cost because there is more handling and you have different receipts there to be signed. You state there it is a little higher cost, and allowing that there is a little higher cost, that cost, so far as the consumer is concerned, would practically be no more, because the advantage that the man who can buy in carload lots will absorb it and it will be about the same. The luxuries that we enjoy to-day over what we had in preceding years have added cost, but we want them. The whole atmosphere that we live in is supposed to be an incentive for a man to go ahead. If that is true, then the power that governs the whole thing, from the relationship of the Government to the people ought to be equal to everybody. That is what I am contending for.

Here is another observation which, I think, it will be well for you, gentlemen, with the forces at your command, to look into. That is this: So far as I have been able to observe, in any industry where there is no carload rate—and there are plenty of them—there is no monopoly. All industries in the United States where there is a monopolistic tendency you find the carload rate applies. From observation and from statements I have heard, and inquiries I have made—and I have tried to find out from people—that is so.

You will find on top of that the great benefit to be derived from the development of individual communities, the scattering of our population, and all the practical benefits that are going to come from having little manufacturing centers here and there, with its farming community around it, instead of having these great transcontinental movements of freight and great concentration of population in large centers.

Mr. WINSLOW. When you get to the point of charging everybody the same rate, regardless of quantity, are you going to charge everybody the same price, or are you going to establish a lower level of prices, which the carload shipper enjoys, or the higher rate, which the other one has to pay?

Mr. SMITH. You can readily see that if you change the price, and if you go on the cost of service plus a reasonable return for the capital, you have got to take whatever it is now going to cost. You could not answer that—no one could answer that for the simple reason that your present-day rates are all wrong. No man living can justify the present rate structure which we now have in our railroad rates in this country. Could you justify the fact that you can take a given carload of freight from Chicago down to Savannah, Ga., put it on a ship, and take it up to New York, transfer it by lighter, and put it on the railroad car and take it to Trenton, N. J., at a lower cost than the Pennsylvania Railroad, running direct from Chicago to Trenton, N. J., charges? Would you say that is sound business principle? However, that is what happens to-day.

Mr. WINSLOW. It may be all right at that.

Mr. SMITH. It would be pretty hard to prove that.

Mr. WINSLOW. You can bring it around through the Panama Canal——

Mr. SMITH (interposing). I said from Chicago.

Mr. WINSLOW (continuing). New York.

Mr. SMITH. That is a different proposition; that is a shipping transaction. I said take it from Chicago down to Savannah, put it on a ship there, and carry it to New York, and transfer it to a lighter and put it on a railroad car and take it over to Trenton, N. J., at a lower rate than you can take the same shipment in a car direct from Chicago to Trenton via the Pennsylvania Railroad?

Mr. WINSLOW. That may be in any quantity, but I do not think it is quite bearing on this point.

Mr. SMITH. But I will not attempt to answer you further on that. I take the cost of service, because your rates are no satisfactory basis. Your sum total might be less; I could not answer that. I think the Interstate Commerce Commission now are developing some interesting facts in that respect.

Mr. WINSLOW. Do you sell in carload lots?

Mr. SMITH. Yes.

Mr. WINSLOW. And at any less price than to a shipper who buys in a quarter car?

Mr. SMITH. It all depends on what terms we sell. If we sell delivered at his point of destination, we get the benefit, but if he buys f. o. b. the shipping point he gets the benefit.

Mr. WINSLOW. How do you make your quotations?

Mr. SMITH. We try to sell f. o. b. shipping point. He can have it shipped less than carload or shipped in a carload and get the benefit.

Mr. WINSLOW. Do you sell a carload that costs you just as much to manufacture as you do a tenth of a carload?

Mr. SMITH. No; that is a different proposition, because we get the benefit of these carload lots.

Mr. WINSLOW. In other words, when it comes to your case, you can handle quantities to an advantage to your production and cost of service, but that is no reason to suppose that a carrier can not handle quantity at a reduction?

Mr. SMITH. There is a point I am trying to bring out.

Mr. WINSLOW. Just bring it out to me in a little shorter manner.

Mr. SMITH. In one case you are tying up capital and you are decreasing the cost of your investment. You are putting more products through the same machines, whereas in the railroad situation the investment is absolutely the same. The only change that you have is a few more help, and if you take the illustration of the port of New York it is no different. In other words, it costs the railroad the same rate absolutely to transport to the port of New York carloads as less than carloads, and they save nothing.

Mr. WINSLOW. In one case you have a freight house in New York City which you need to keep up and pay all the carrying charges and in the other case you do not.

Mr. SMITH. I beg to differ. I suggested the illustration of the port of New York. You can go into many cities of this country and it costs the railroad just the same, carload or less than carload, outside of one clerk who may make out more bills. If you will come to New York I will take you down to the piers and show you.

Mr. WINSLOW. I do not care anything about the piers; I want to see the books of the fellows who pay the bills.

Mr. SMITH. All right. We will show you those costs in a little while. But that is what we are unearthing now, and you will find it is most interesting.

Mr. WINSLOW. One more point, which has a real bearing on this question; that is, the fairness to the small man in business. Do you think that all the advantages which are enjoyed by people who by great diligence and capacity have made a success in a line of industries, have made it an assured thing, developed it in large amount, and invested great capital, should be necessarily handed over after they have obtained all those advantages to the fellow who wants to go into business?

Mr. SMITH. Absolutely not.

Mr. WINSLOW. When should not the small fellow go along the regular line of growth like; for example, a man who starts a little store in a city and represents a section of that city in his line, carries some newspapers and a few marbles and tops for the boys, and some candy, and also some canned tomatoes and 50 different things in that line, and he and his wife run the store. Now, then, he is thrifty and the son carries out the can of tomatoes to the neighbor, and in due time he gets along to the point where he has an old horse and wagon, and then he goes on until he possesses a jitney automobile, and one day he becomes Swift & Co. Will you expect him to have every advantage of Swift & Co. up through that program?

Mr. SMITH. Certainly not.

Mr. WINSLOW. Of course, you know, Mr. Smith, as well as anybody, that the little fellow does not begin in interstate commerce when he starts. He grows to it, and as he grows to it the privileges come to him in all the departments of business. The initiative on his part is in getting the start in the industries, giving service and growing up to the level where he can get what the rest of these fellows can.

I venture to say—I do not know anything about your line of business—that you would prophesy that the man who sold small lots of your wares, miscellaneous lots, as cheap as he can sell big lots was on the wrong track? If that is so, the reverse is so, that you can not expect a man with small benefits to have all the advantages that go to a man who has big business. That has been thrashed out time and time again. It is the moot question of all industrial associations in this country, and yet the little jobber, wisely enough from his point of view, always says he is injured, but yet he succeeds. The little packers we heard when we started these hearings said they were terribly abused, yet every one came in here and stated that he was getting along as well as he could expect to. They did not have carload lots and they did not have refrigerator cars, but they all say they are living.

Mr. SMITH. I do not disagree at all with your views. The fact that I come here a little fellow, just as you see, and I say that that ought not to interfere with them. I say I have no quarrel with the packers, and I agree thoroughly that capital ought to be protected in every way and that man is entitled to the benefit of the fruits of his labor. In discussing this question of carload lots, I am talking against our business, because we can ship in carload lot. We happen

to have developed to a size where we are big enough to engage in that end of it.

I am not discussing the personal viewpoint. I know the value of capital. I know all these things. I am simply discussing the fundamental principle that, so far as the Government is concerned, I am trying to go back, and I can only give you a conception of the first principles of government, that a railroad that is essential to the welfare of the people must be enjoyed by everybody on equal terms, ought to be open to everybody on equal terms, and show favors to no one, whether rich or poor or large or small. It is not a question of a man's size or energy. I say, "God bless anybody who is able to succeed." I think that he ought to be protected. I think the mistake is made in not having a realization of the fact that capital is necessary to the conduct of business. Unfortunately, I never can get a cent of money, because our business is growing and we require all the capital; and, in reality, I envy some of our employees, because they get their salary regularly and they can do as they please with it, whereas I have to help sometimes to dig up the pay rolls.

I do not want you for one minute to think that I am here against the big man or say these advantages ought to be taken away. I think that if Swift and Armour were here listening to what I have to say they would probably say the same thing if they are public spirited. A man who has accomplished success in life knows the reasons why he has been successful; but my experience is that big, successful men are broad-minded, and that they are willing to have laws enacted which put everybody on the basis of equality, because they feel they can take care of themselves.

Mr. WINSLOW. Am I correct in thinking I heard you say that you thought the refrigerator cars ought to be taken away from the packers?

Mr. SMITH. What I said was, I thought the refrigerator cars were a function of the railroads to furnish to everybody on equal terms.

Mr. WINSLOW. We can cut this pretty short. Do you think the refrigerator cars ought to be taken away from the packers?

Mr. SMITH. I have no expression of opinion on that, for the simple reason that I come back to first principles. We have shipped and received meats from our independents in our refrigerator cars and got things through all right. I have no complaint to make, personally, about the refrigerator-car service, so far as it applies to our own particular case.

As a fundamental principle, it would seem to me that as a function of a railroad and public character they ought to furnish the facilities.

Now, when you go a step further, as you have, and say, that being the case, should a man be permitted to own and operate his own private car because it suits his convenience—that is something I am not qualified to pass an opinion on; and I do not know, because my only contention is to put everybody on a plane of equality. If your thought measures up to that, I would have to answer yes, it was all right to own and operate refrigerator cars.

Mr. WINSLOW. Do you see any need for this bill?

Mr. SMITH. No; I do not, personally.

Mr. WINSLOW. It will come before this committee probably in the future, as it has times without number in the past, that the fellow with the little shipment should get just as good treatment as the

fellow with the big one. When the gentleman says on the "terms of equality," I suppose he proposes that if the little fellow ships a little amount, let him pay the regular rate, and when the big fellow ships a large amount, let him pay the same rate.

The CHAIRMAN. That is your testimony.

Mr. DEWALT. As I understand the witness, if he attains the ideal situation as he would like to have it and as he is advocating that the big shipper and the little shipper would be placed upon terms of equality, to wit, they would pay the line rate and the actual charge or clerk hire, etc., but the little shipper would be allowed a sum equal to the amount necessary for loading and unloading, and that that would equalize. That is your idea?

Mr. SMITH. Yes, sir.

Mr. HAMILTON. I have been interested in the effort of Mr. Winslow and the witness to adjust the complications of modern business to the interests of the average man, and I want to ask two or three questions along the lines that these two gentlemen have developed bearing upon the young man and the development of industrial communities—I think that is the term used by Mr. Smith.

Ever since the discovery of the use of steam the whole tendency has been to industrial civilization, has it not?

Mr. SMITH. I think that is fair to say; yes.

Mr. HAMILTON. And it changed the industrial conditions in England?

Mr. SMITH. And everywhere.

Mr. HAMILTON. And changed the industrial conditions all over the world. That has tended to the development of large commercial centers, and the transportation by rail has promoted this process of centralization necessary, has it not?

Mr. SMITH. I think so.

Mr. HAMILTON. And that has, of course, tended to create big business, large corporations?

Mr. SMITH. Yes.

Mr. HAMILTON. And the next step is that the bigger the business, up to a certain limit, the cheaper each unit of production can be produced?

Mr. SMITH. I think, generally speaking, that is true.

Mr. HAMILTON. That is industrial law.

Mr. SMITH. Generally speaking, it is true. I can make a qualification to that.

Mr. HAMILTON. Then, incidentally, large salaries are paid for men of talent and the consumer pays the salary. That is true, I suppose, is it not?

Mr. SMITH. Well, there are so many qualifying elements that enter into these things; it all depends upon which way you want to put that question.

Mr. HAMILTON. I am willing to have you qualify it as you go along. I am only inquiring if you are stating what you think is a broad sweeping proposition applicable to national and international conditions to-day?

Mr. SMITH. There are so many elements that enter into successful business in making business successful that you can not pin it down to any one element. You pay a man a big salary because he has brains enough to know how to turn that industry from an un-

profitable one to a profitable one. He may, however, cheapen the cost to the consumer, and he may cheapen the cost because of the high salary paid that individual.

Mr. HAMILTON. That is a mere commentary upon the general fact, is it not?

Mr. SMITH. All right.

Mr. HAMILTON. And then the young man starting in business can not compete in a separate enterprise, generally speaking, and becomes merged as an employee in a corporate enterprise as a general proposition?

Mr. SMITH. I would not accept that statement, I think. I agree with you that that seems to be the drift at the present time. Is that a sufficient answer?

Mr. HAMILTON. That is what I am getting at.

Mr. SMITH. All right.

Mr. HAMILTON. And maybe it is one of the great propositions of our present revolution. The question which arises, I think, in the minds of every thinking man is whether business is going to keep on centralizing, attracting to itself talent and which would otherwise go out and develop its own enterprise, whether that process of centralization is going on to the point where a few large industries control the business of a country, or whether you can see along the commercial horizon any sign of our getting back to conditions where big business may to some extent disintegrate and get back to competition, and the average man have an opportunity to develop his talent in separate enterprise. I have observed that you have studied these questions and theorized on them, and I have asked these questions to get your opinion.

Mr. SMITH. My opinion is that the Federal reserve act was a long step in aiding decentralization of our big business and making it possible for a smaller enterprise to succeed.

The second step, to my way of thinking, is the transportation problem. The two together, I think, spell in the future that the transportation problem if properly solved means the decentralization of big business so far as the power that made it big is concerned, which I think you have summed up very truly.

And the two together will make it possible for energy and brains to go ahead and do business upon a person's initiative rather than through the gigantic cooperation, where the future for a young man is as a salaried employee.

I was glad to have you frame it the way you did, because you did it so much better than I can do to point out the problem. Back in 1906, I think it was, the big packers offered me a position to go with them, and I refused it for the reason that I wanted to retain that initiative, and I wanted the opportunity to give expression to my thoughts as they were in me, subject to no man's dictation and preferred to work out my own salvation along independent lines, because I recognized the fact that if I went with them, no matter what ideas I might have along economic lines, that if those ideas possessed a value, I would not be free to give expression to them if they were inimical to the interests for whom I was working.

Whether these ideas of mine that I have been expressing this morning are wrong or right, I do not know. But they are, at any rate, the fruits of the studies I have made, and it does seem to me that in every

tracing I can make of the application that will bring about that other condition.

Mr. HAMILTON. That is so interesting that one might go much further, but I do not feel that I ought to ask any further questions.

Mr. ESCH. Are you familiar with the practice which has been installed on the Pennsylvania road within a year of so-called "sailing" days?

Mr. SMITH. Only what I have read in the papers. But that is what I alluded to when I spoke about the shipping dates.

Mr. ESCH. Do you know that that is at the sanction of the Railroad Administration?

Mr. SMITH. Yes, sir.

Mr. ESCH. And the system has worked out so successfully that it is likely to be extended. Does not that custom of establishing sailing days meet in large measure your difficulties in shipping in less than carload lots?

Mr. SMITH. It is not a question of shipping less than carload lots. That was put into practice by the railroads from an economic point of view, justifying the contention I have made right along that the assembling of a carload of these miscellaneous shipments ordinarily going less than carload and accumulating then into a car to fill it full so they would not have to run a car empty, and here is the proposition I have been advocating, from the railroad point of view only—

Mr. ESCH (interposing). Is it from the railroad point of view whereby a sailing day is set and a half dozen or more shippers, producers, or manufacturers can fill a car, and they get the carload rates, whereas, before that sailing day practice was established, they had the privilege of paying less than carload rates, so that that practice is inuring to the financial advantage of the small shipper, producer, or manufacturer?

Mr. SMITH. I did not know that what you are saying now is the fact. As I understood it, we sent our merchandise and they accumulated it and made a sailing day, but I did not know we received the benefit of the carload rate. If what you say is true, it would be a big surprise to me.

Mr. ESCH. That is my understanding, and its correctness can readily be found out.

Mr. SMITH. I have not been informed of it.

Mr. ESCH. But that practice is enlargement in measure, at least, of the principles you are contending?

Mr. SMITH. If what you say is the fact, that would entirely justify the whole thing. But the reason I hardly think it is, is because to-day in order to get the carload rate we call up two or three other competitors that we know are going to have goods going to a common point, and we say, "Can we not make up a carload between us in order to get a carload rate?" I am inclined to think if the other was the case, we would not be doing that. For instance, as receivers it was the practice by the railroads to permit us to have a car consigned to us, and then to issue orders to a number of different buyers to take it up, so as to get the benefit of the carload rate. To-day they have eliminated that.

Mr. ESCH. That, under the car service act, would be wholly in the jurisdiction of the Interstate Commerce Commission, and they could

issue an order establishing sailing days and procuring the rates for small shippers?

Mr. SMITH. That would be all right.

Mr. ESCH. The power is there. The thing is to get the initiative on the part of the shipping public to avail themselves to the full extent of the shipping law.

Mr. SMITH. During these investigations I happened to be down south on a business trip, and in one of the railway trains we got to talking, as men do when they are traveling. I had conversation with a wholesale grocer from a certain town, who was railing against the Tobacco Trust, saying how they monopolized, and so on. So I said, "I have a theory for doing away with the trusts." He asked how that was, and I said, "By the abolition of the carload rate." He said, "Oh, my, I would not want that. If that were done, then my small competitor would have the same basis of purchasing power I have got." I said, "You ought not to kick. You are condemning the man who is bigger than you, while you want to drown out the man under you."

So, that my opinion is that you will find this: that the shippers to-day who have the benefit of the carload rate, from my experience, wherever I have talked and advanced the idea, right away the big carload shipper says, "Where will I get my advantage?" Any business house is always striving to retain what advantages they have to succeed. I do not doubt but what I am going to be criticized by some of the people we sell to who are now enjoying this carload rate, if they happen to read or hear of this testimony. They will say, "What are you doing—fighting us? If you are going to fight us, we can not do business with you." That is what makes business. You have got to give a man incentive for doing business.

In England their freight cars average about 15 tons capacity; in fact, they are so small that they call them "wagons" over there. They therefore do not have the difficulties of less-than-carload shipments, and that is true generally of the Continent. On the other hand, every tendency in this country is constantly to increase the carload rate of the freight cars. We have now reached the capacity of 100,000 pounds in the case of coal cars, and possibly more; and the tendency is to increase the capacity of the car, and the reason for it, from an economical standpoint, is that as you increase the capacity of your cars, you have less cars in your train, you have less units where any defects may occur; you have less expense for coupling and uncoupling and in switching. All those are considerations which bear on the problem of the cost of carrying a full car at less than a cent per ton per mile.

Mr. SMITH. My theory would not interfere in any way with those operations you have referred to. You can see that. But even taking your own point of view, in the opinion of many of the most successful operators of railroads in this country, they refuse to accept the idea of a minimum weight, and say that it is not as economical as has been supposed, because the weight has been too great, and I heard a very successful railroad operator make this statement that he would move more freight over a given mileage with a smaller engine and smaller cars than any of the operators with heavy engines and bigger cars could possibly do.

Mr. Esch. I think that runs counter to the experience and the findings of motive-power experts.

Mr. Smith. As I told you, you have got the two views. I am not discussing it, because I know nothing about it. But I do know this, that the Erie Railroad, for instance, ordered one of those tremendous big engines that was capable of hauling so many tons and it would decrease their cost of haulage, and they found they could not do it, that the draw bars on the cars would not stand it, and they simply had to reduce the amount of tons behind that engine, and they have that big engine with large coal-consuming capacity that was not functioning properly.

Mr. Esch. It is based on the question of mile haul, which was first inaugurated by James J. Hill, who was the father of the ton-mile theory of freight traffic, and it is contended that the enforcement of that theory or plan has enabled the railroad companies to live and still haul the freight of the country at 0.7 mills per ton per mile.

Mr. Smith. It may be right, I do not know.

Mr. Esch. If that had not been so, they could not have done it.

The CHAIRMAN. I only want to ask you a question or two, to see if I understand you. Like yourself, I was very much impressed with what Interstate Commerce Commissioner Wooley stated before the Senate Committee on Commerce, the absolute justice of at least a proximate cost for mileage haulage. Nobody could dispute the justice of it; and that there should be a terminal charge at each terminal to cover the local terminal service rendered in connection with shipments, because in some terminals it might cost more to forward or receive freight at that terminal than it would to forward or receive freight at some other terminal.

Then, in respect to the receiving terminal, the terminal to which the shipment goes, like New York, for example, where it might cost much more to deliver it there locally than it would to deliver it in Chicago, Cincinnati, or Cleveland or some other place. But that New York should have its natural advantages and also it should bear its burdens, and that the terminal charge in New York should cover this lighterage and extra service that is rendered after the traffic reaches that locality; and, therefore, these expenses which Mr. Winslow referred to, about incurring more expense to distributing carloads to a number of people than it would to deliver it to one consignee, that that would be a local expense, and, therefore, covered by the terminal charge that New York would put on it, and that, therefore, you would not have to add it to the line haul charge in getting the freight to New York where it could be so handled. Am I right as to the theory you advanced?

Mr. Smith. Yes, sir.

The CHAIRMAN. It seems to me that some gentlemen do not understand, or I do not understand, that your question of less-than-carload rates has reference to the freight movement charge——

Mr. Smith. Yes, sir. Like yourself, I was very much impressed with what Interstate Commerce Commissioner Wooley stated before the Senate Committee on Commerce, the absolute and unqualified justice of at least approximate cost of mileage hauls. Nobody can dispute the justice of it; and then that there should be a terminal charge at each terminal to cover the local terminal service rendered

in connection with the shipment, because at some terminals it may cost more to forward freight from that terminal than it would to forward freight from other terminals.

And, then, in respect of the receiving terminal, the terminal to which the shipment goes, like New York, for example, where it might cost much more to deliver it there locally than it would to deliver it in Chicago, Cincinnati, or Cleveland, or some other place. But that New York should have its benefits and also it should bear its burdens, and that the terminal charges in New York should cover lighterage and extra service that is rendered to the traffic after it reaches that locality; and, therefore, these expenses which Mr. Winslow referred to, about incurring more expense to distribute a carload to a number of people than it would to deliver it to one consignee, that that would be a local expense, and, therefore, paid by the terminal charge that New York would put on it, and that, therefore, you would not have to add it to the line haul in getting the freight where it could be so handled. Am I right in the theory you advanced?

Mr. SMITH. Yes, sir.

The CHAIRMAN. It seems to me that some gentlemen do not understand, or I do not understand, that your question of less-than-carload rates has reference to the freight movement charge?

Mr. SMITH. Yes, sir.

The CHAIRMAN. But their—movement charge—

Mr. SMITH. Yes, sir.

The CHAIRMAN (continuing). Of hauling a carload from one place to another place, although the contents of that car may belong to a number of shippers and would have to be distributed to a number of consignees, but the car was loaded to the carload capacity, whatever it is, minimum, and that then the line haul does not increase as such, simply because that more shippers than one have shipped the contents of that car and more consignees than one got it. That is correct, is it?

Mr. SMITH. That is right.

The CHAIRMAN. Because if the carrier of 20 tons of freight going to as many consignees, and the carrier does not render either the local forwarding terminal service and does not render the receiving terminal service, that then it is more cost to a railroad to haul 20 tons owned by a number of shippers and going to a number of consignees than it would if it were all going from one shipper to one consignee.

Mr. SMITH. That is right.

The CHAIRMAN. And that you have, therefore, separated the cost of hauling from the cost of receiving and forwarding. And your idea is that it is ideal to pay separately the cost of service for both, because the cost of movement may be uniform, whereas the terminal charges can not be uniform. At different places and in different cities it costs more than it does in others?

Mr. SMITH. That is right. The terminal service is a community problem, and if the community is progressive and up to date they can reduce the terminal costs.

The CHAIRMAN. That means it is local to a certain community?

Mr. SMITH. Yes, sir.

The CHAIRMAN. And it not a movement service?

Mr. SMITH. And not a movement service, in my judgment, and not a service that concerns the National Government.

The CHAIRMAN. In other words, it is local. The carrier does not have to be responsible, because the city of New York can take care of its situation and the city of Cleveland can take care of its situation, as can also Washington its terminal service, and so on.

Is not the passenger fare minus the terminal question based largely on the distance they travel?

Mr. SMITH. I think so. But I know nothing about the passenger traffic.

The CHAIRMAN. I mean it is determined by miles, say, $2\frac{1}{2}$ or 3 cents a mile?

Mr. SMITH. I think that is the general impression.

The CHAIRMAN. But there is no terminal charge.

Mr. SMITH. There is no terminal charge.

The CHAIRMAN. It has always occurred to me there should be consideration given to that matter. For instance, if a man buys a ticket to New York, if he goes by way of the Pennsylvania Railroad he arrives in New York City in the palatial terminal of that road, whereas if he is landed there on the B. & O. he would be let off the cars on this side of the river and have to go across on the ferry. If any man goes to New York it will certainly be worth more to him, and he would rather pay something more, to be landed at the terminal on Thirty-fourth Street than to land on the Jersey side and have to take the ferry; and yet there is absolutely no terminal charge for the passenger who gets the benefit of that special terminal benefit.

Therefore, it acts as a discrimination against every other railroad company that lands a passenger in New York from that side which can not have the benefit of that terminal, because they have to pay just as much to get to the Jersey side as to the New York side, and then they have to go to the inconvenience and trouble of getting over on the New York side, and then being transported in a street car or taxi, or something of that sort. The ticket, of course, covers the transportation on the ferry boat. But it is more convenient to sit in your car until you get into the heart of New York.

Therefore, I think there ought to be a terminal charge or something added to every passenger ticket sold that would take the passenger into that terminal, because the service is worth more to the passenger.

Likewise, I think the same principle ought to apply to terminal charges for traffic and it ought to be, as you say, the cost of service plus a reasonable return on the investment.

I wanted to see if I understood your position.

Mr. SMITH. You are perfectly right.

The CHAIRMAN. And I believe that we will never have justice in this country until the passenger and freight rates bear some relation to the cost of performing the service.

Mr. SMITH. That is my judgment.

The CHAIRMAN. You are a business man, who has had experience, and that is what you believe?

Mr. SMITH. That is what I believe.

The CHAIRMAN. Therefore, you do not believe there should be a blanket charge where a man has to pay just as much to carry the freight into the blanket as it does into and across it?

Mr. SWEET. Then you believe that if the carload lot were abolished that there would be less concentration of freight in the general mar-

ket centers, the local communities would be built up and, in the final distribution of all the freight in this country, that there would be a less burden upon the transportation system of the country?

Mr. SMITH. That is my belief. Of course, I could argue the other side of the story and tell you the results of my thoughts. There are other things you have got to look at in this question than carload rates. However, that is quite a story.

The CHAIRMAN. We are very much obliged to you, Mr. Smith, for your trouble in coming here and the kind attention you have given us. I am expressing the sentiment of the committee.

Mr. SMITH. Thank you.

The CHAIRMAN. We will now hear Mr. Charles H. Ungerman, of Birmingham, Ala.

STATEMENT OF MR. CHARLES H. UNGERMAN, PRESIDENT BIRMINGHAM PACKING CO., BIRMINGHAM, ALA.

The CHAIRMAN. State your name, address, and the business you are engaged in.

Mr. UNGERMAN. My name is Charles H. Ungerman, and I am president of the Birmingham Packing Co., located at Birmingham, Ala. My position is that of general manager in charge of the active operation of the business, I might say. The Birmingham Packing Co. is a corporation organized under the laws of the State of Alabama in January, 1907, and is engaged in the meat-packing business and, incidentally, in the ice-making business. I would like to ask you something for my information. I have here some questions and answers for the purpose of guiding me along, as I have no one to ask, and if I do not follow this I am liable to overlook what I want to say in a large measure. Would I have to file this?

The CHAIRMAN. Is it a preliminary statement?

Mr. UNGERMAN. It is not a statement. It is a number of questions to guide me so I do not forget.

The CHAIRMAN. You can pursue your own method in making your statement and be guided by your notes or in any other way you please.

Mr. UNGERMAN. In the fall of 1916 this corporation engaged in the interstate business of meat and packing-house products and at that time concluded, after deliberate investigation, that it was necessary to maintain a branch house in some one of the large eastern cities, preferably New York, on account of the fact that that city had a very large and mixed population and used all manner and kinds of packing-house products and, as we intended to maintain only one branch house in the East at that time, we secured a location, after a long search, at what is known as the West Chester Avenue Market Division in the Bronx, New York City.

Prior to the opening of this branch house we shipped several carloads of fresh meat, such as dressed beef, pigs, and mutton to New York on brokerage, meaning thereby that the goods were shipped to New York to our own account, had been sold and would be sold on arrival there, or probably some of it was sold and some not. This brought about a delivery of these fresh-meat cars in the freight terminal yards of New York, which were totally unsuited for the purpose of delivering and selling what product was unsold, as the cars were fully loaded to obtain the minimum weight and the goods could

not be examined by the customer in that condition. The opening and closing of the cars from time to time also was very detrimental and brought about very quickly deterioration in the product in the summertime.

This brought us to the point of establishing a branch with our own refrigerator located therein, which we did in the fall of 1917. This branch house has now been in operation about 20 months, more or less successfully. But we have been since the beginning very seriously handicapped on account of slow delivery of our cars of meat, the majority of the cars being delayed and heavy damage to the meat ensuing for this reason.

We collected lost fall from the New York Central Railroad \$7,500 at one time in claims on these shipments on a compromise for \$9,100 worth of claims, thereby losing \$1,600, which loss we accepted rather than go to suit, which the claim department said we would have to do unless we accepted \$7,500. The contention of the claims department for a compromise settlement was based on the theory that we were not using the proper refrigerator cars for the transportation of meat, being the regular system cars owned by the carriers, equipped with temporary beef racks that we put in ourselves at a cost, in the fall of 1917, of \$12.50 per car, which gradually advanced until in 1918, on account of the war, it was \$27.50 per car, a very heavy burden.

These racks could be used only one time for one trip. The claims department stated that the refrigerator cars that we were using were not intended for dressed beef, pigs, and mutton, but they were all for fresh-meat service, such as fresh meat, beef, pork in boxes or barrels that could be loaded on the floor of the car. However, the car was presumed to be properly built and constructed for the carrying of fresh meat, and whether it lay on the floor of the car or was suspended from the roof necessarily would not make any difference.

These system refrigerator cars were furnished to our corporation on order for shipments of fresh meat. The claims department also contended that as these cars were not regular packer cars, that the employees would assume at times that they were not loaded with fresh meat and would neglect to give them the proper attention. This is entirely wrong, in my opinion, as the cars were billed as fresh-meat cars and the employees had no reason to suppose otherwise.

In the fall of 1917 we leased from the Missouri River Dispatch, at Chicago, Ill., 10 dressed-beef cars, equipped with overhead racks, and used these in our service to New York, Boston, Cleveland, and Pittsburgh. We paid a monthly rental of \$27.50 per month per car and collected mileage that the cars earned at that time, three-fourths of 1 cent per mile.

The CHAIRMAN. If you have a prepared statement you want to put in without reading, you may do so.

Mr. UNGERMAN. I have a statement here showing the exact cost of the rental of these cars, and also what they earned and what the loss was to us. I will get it in a minute. I have it right here.

The CHAIRMAN. The committee will now take a recess until 2 o'clock this afternoon, and then you can go on with your statement.

(Thereupon, at 12.05 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee resumed at 2 o'clock p. m., pursuant to the taking of recess, Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF CHARLES H. UNGERMAN, PRESIDENT OF THE BIRMINGHAM PACKING CO.—Continued.

The CHAIRMAN. Proceed, Mr. Ungerman, in your own way, and get along as rapidly as you can to make yourself clear.

Mr. UNGERMAN. I want you to bear with me, because I came a long way to get up here.

The 10 cars leased from the Missouri Despatch in the fall of 1917 cost \$834 in excess of the mileage they earned. During the term of six months we loaded 34 times for the total of the 10 cars, or 3.4 loadings each, for six months, or one car each two months, costing us \$24.52 per load, in addition to about \$15 worth of hooks lost on account of uncertain return movements; total loss per load, \$39.52. I am reading this to show the total cost of loading each car of meat in addition to freight charges, and it is practically heavy enough to absorb the net profit on each car.

The CHAIRMAN. That is real information. You need not apologize for reading them.

Mr. UNGERMAN. The dressed beef, pork, and mutton business can not be carried on with any degree of success unless the shipments arrive in about their regular schedule time, for the reason that if you make your shipment, intending it to arrive on the fifth morning and it arrives on the eighth morning, and you are following it up with another shipment in three days, and the other shipment arrives on time, both cars will come in on the same day, and one day you would have nothing and on another day you would have twice as much as you needed. That is a very bad feature of this business.

We made every effort with all the railroad people, both before the roads were taken over by the Government and afterwards, to remedy conditions. One instance at Birmingham was in the winter of 1917, when we had our own cars and could not get them in, could not get them back, and I asked the agent of the Alabama Great Southern Railroad at that point to let us use some other packers' cars, and he said, "I can not do that; that would cost me my job." I said, "It would not cost your job to use ours;" and he did not answer that. Anyway, these cars came to Birmingham loaded to go beyond Birmingham, and we got two cars and had them unloaded. They were loaded with flour and general merchandise.

Mr. SWEET. They were refrigerator cars?

Mr. UNGERMAN. Refrigerators, marked with our name, and I have got a photograph of one of the cars to show that they could, by no chance, be mistaken for anyone else's cars.

The CHAIRMAN. That was in 1917?

Mr. UNGERMAN. That happened also in January of 1919—last month.

The CHAIRMAN. The same thing?

Mr. UNGERMAN. The same thing. One car loaded with meat, B. P. R. Ex. No. 201, shipped to New York loaded via Southern Railway, care of the Pennsylvania Potomac yard, care of New York

Central, for placement in New York City. This car on its return got out of its route and we heard of it at Pittsburgh and they asked what to do with it, and we told them to send it to Birmingham. It was then sent to Cincinnati and somewhere between Cincinnati and Birmingham was loaded with flour to a point known as Waverly, Ala., beyond Birmingham. We found that this particular car was in Birmingham, and called the attention of the district traffic manager of the Food Administration, and he ordered the Louisville & Nashville Railroad to unload this car, which they did, and afterwards we heard that the Louisville & Nashville objected to his having it unloaded, stating that he did not have any authority to have that car unloaded.

The matter of slow return of movement of empty cars and uncertain routes invariably causes the loss of the beef hooks. To ship dressed beef one hook is required for each quarter of beef or each pig or calf, each hook being worth about 10 cents for the small ones and 20 cents for the large ones; and to load a car it takes \$10 to \$20 worth of hooks, and when they come back they are laid in the corner of the car, presumably with the idea that they will get back to the owner. In reloading your cars and rerouting them here and there the hooks are generally lost. The railroads assume no liability for the loss of these hooks.

Mr. SWEET. That is about \$15 a car?

Mr. UNGERMAN. Yes, sir; when they have lost all the hooks from the car they have lost about \$15 worth. While in New York in the winter of 1917 and the summer of 1918, I spent a great deal of time there and our cars were always running behind time, late and in bad condition, and we had \$15,000 worth of claims piled up, on which we have collected \$7,500, and with our neighbors, Swift, Armour, Morris, & Cudahy all getting nice cars of fresh beef, although they did not get it from the same points of origin that we did. Their meat came from Chicago and St. Louis and Kansas City, and ours came from Birmingham. The railroad men said that as we were out of the route of the regular meat traffic that was probably the cause of delay, but the fact of the matter was that all of our cars, without exception, were delayed at other points than Birmingham. I do not remember of any being delayed between Birmingham and Cincinnati and Birmingham and Potomac yards. They always made those two points about on time, and the delay occurred from Potomac yards to New York on the Pennsylvania or on the Big Four from Cincinnati to New York via Albany and Buffalo, where the regular meat trains did run at regular intervals. The delay did not occur where they thought it would occur.

The CHAIRMAN. It did not occur where it was natural for it to occur?

Mr. UNGERMAN. Yes, sir; that is the idea. It is generally understood, I think, that the large packers maintain in all the eastern large cities and at large junction points inspectors whose duty it is to see that their company's cars, loaded and empty, are forwarded promptly. They also have employees at various icing stations, whose duty it is to see that their owners' cars are properly iced, the proper amount of salt used, and that the cars are forwarded—this, as I take it—I may be wrong, but it is my opinion—that the carrier ought not to be allowed to accept this free service. It does seem when they accept

free service along these lines they put the smaller packer at a disadvantage in the transportation of his product because he can not afford it. It is just as reasonable to say that a large packer would have the right to put a man in the various telegraph offices to facilitate the forwarding of his messages, and that would result in giving preferred service. I have never heard that idea advanced, but I think that is sound.

The CHAIRMAN. You do not mean that you have never claimed that that was the fact?

Mr. UNGERMAN. I never heard anyone say they thought it was a wrong thing for the railroads to accept this service. I do not mean by that that it is not proper that these men should help conserve food and forward the cars and everything, but the fact that they do it with their own employees puts the other men at a disadvantage with the common carrier. If it was not a common carrier it would not make the same difference. The common carrier must give the same service to all.

Mr. SWEET. By accepting this service the railroad company renders preferred service to the big packer?

Mr. UNGERMAN. It certainly does, and at no cost to them; but that is not the question. The question is that the big packer does receive preferred service through that source, which the smaller shipper can not receive.

Mr. STINESS. It is the fault of the railroad companies, is it not?

Mr. UNGERMAN. Yes.

Mr. HAMILTON. Can you get the icing just the same as the other packers?

Mr. UNGERMAN. I do not think so. We have ice bills coming in from time to time on cars shipped two years ago, away back in 1917, in January.

Mr. STINESS. They gave you your credit.

Mr. UNGERMAN. That may be, but failing to receive these bills, we did not know whether the cars were iced.

Mr. HAMILTON. It is part of the business of the railroads to ice the cars?

Mr. UNGERMAN. Yes, sir; that is their duty; they assume that when they make the rate. They make a higher rate to take care of this traffic and they assume the burden to see that these cars are iced, for which we pay.

Mr. HAMILTON. Have you reason to complain of the character of the service?

Mr. UNGERMAN. Yes, sir; I have got reason to complain, because our meat has been arriving at destination in very bad order. It can not leave Birmingham in bad order, because there is a United States inspector there who will not allow it to go if it is not in good condition.

Mr. HAMILTON. It is properly iced?

Mr. UNGERMAN. It is iced at Birmingham, but en route it is not properly iced, and the large packer has a man to take care of his icing, and if they need icing he sees that they get it.

Mr. HAMILTON. Suppose your car needs icing, what happens then?

Mr. UNGERMAN. It may be iced, and it may not be. I should assume that if one of the packers' inspectors would see our car and see that it needed icing he would probably think "that is none of

my business; I am not working for those people." That is, if the railroad man did not see it. You know the ice in a bunker car will melt out underneath, and it is hollow, and when you look into it it is apparently full of ice, but if you take a tamp stick and hit it all breaks down, and that is why the large packers have the inspectors there—to see that proper icing is performed.

Mr. HAMILTON. Have you had meats spoiled en route?

Mr. UNGERMAN. Oh, yes.

Mr. SWEET. Were the damage claims founded upon spoiled meat?

Mr. UNGERMAN. Partly spoiled meat. If we billed a car of meat to our branch in New York that was worth \$4,000—that was about the average—when it got there we could sell it for \$4,000 in good condition, but on account of being in bad condition we would have to sell for \$3,600, and we would put in a claim for \$400.

Mr. SWEET. Do they allow those claims?

Mr. UNGERMAN. Yes, sir; but these claims were discounted. But a man can not do his business and collect money in the claim department, because, in the first place, they do not pay in six months to a year, and when you are operating a beef branch and a customer comes in and wants to buy some fresh meat and you say this car was delayed but the next will be all right and the next day when the customer comes in we tell him the same thing we lose his trade. Out of some 60 cars we shipped 50 were in bad condition, caused by delay and improper icing.

The CHAIRMAN. It spoils your reputation and trade?

Mr. UNGERMAN. Yes.

Mr. SWEET. And you were unable to collect damages because of loss of customers?

Mr. UNGERMAN. Yes, sir; we could only collect the actual loss suffered in the value of the meat.

Mr. HAMILTON. Suppose the packer you refer to should not actually own the cars, would not the packing business generally be subjected to the same difficulties that you encounter now?

Mr. UNGERMAN. Yes, sir; they would be subjected to the risk of the railroad employees undertaking to do something which they were not so competent to do as would be the man who is hired specially for that purpose; however, the carrier should see that the icing is properly done.

Mr. HAMILTON. Yet the only remedy you could think of in that connection is to stop the railroads permitting the so-called big packers from icing their cars?

Mr. UNGERMAN. No; stop them from icing cars and supervising the icing of their cars, and that the railroads should perform this service to all shippers in the proper way.

Mr. STINESS. Have you ever made complaint to the Interstate Commerce Commission?

Mr. UNGERMAN. About what question?

Mr. STINESS. About some difficulty you had in getting good service?

Mr. UNGERMAN. Yes; we made informal complaint. We have made complaint to all the railroads and traffic officials that I know of—Mr. Fisher, of the Pennsylvania, at Philadelphia, and people at Birmingham, the superintendent of the Pennsylvania at Jersey City, and various officials of the New York Central Railroad. In

fact, we have made complaint to at least a score of different railroad men.

Mr. HAMILTON. How can you induce the railroad companies to properly perform their duty in this connection?

Mr. UNGERMAN. I think that can be done. My opinion about this icing business would be that each and every icing station should belong to the carrier and not to private individuals, and especially not to the competitor, because the carrier would be inclined more to give the same service to everybody than a competitor would to his competitors' cars, or probably an independent might own it, and you would not know who the independent was.

Mr. HAMILTON. But even then you fear inefficient service?

Mr. UNGERMAN. If the service was inefficient, it would rebound to the railroad in the way of claims which they would have to pay, and that would make them careful and no doubt would make them give good icing service.

The CHAIRMAN. Could the railroads do it efficiently?

Mr. UNGERMAN. It is the simplest thing in the world; it does not need special technical men.

Mr. SWEET. Was your service prior to 1916 any better than it has been since?

Mr. UNGERMAN. We were not in the interstate business in the fall of 1917, before the war. The railroads claimed that the traffic was abnormally heavy, and that was the reason for it. During the war there was good reason—and I am not making complaint—but since the war, January and December, the same delays occurred; and if it was warm weather, there would be heavy claims piling up again; but as the weather in December and January is generally cool, the claims have been immaterial, but we still suffer from the lack of receiving the cars with the amount of ice that ought to be in there on time so that we can regulate our shipments and supply our customers regularly.

The CHAIRMAN. Well, proceed with your statement.

Mr. UNGERMAN. Would it be pertinent to testify as to the stockyard question?

The CHAIRMAN. It is pertinent to give any testimony you deem it proper to give.

Mr. UNGERMAN. In reference to the ownership of stockyards, my opinion would be that they should belong to the carrier, just like any other freight-delivering facility, for the reason that the ownership of the yard carries with it the valuable information as to arrivals of live stock the following day; how many cars of hogs and cattle, etc.; and if there is going to be an abnormally heavy run, they know about what the little packers and shippers will take, and that there will be a certain amount left over, and he stays off the market until the small packer and shipper has supplied his wants, then there is this live stock left over, and the big packer goes out and buys the balance, probably at a less price. I heard it stated by one witness that it was a distinct advantage to the live-stock shipper that the big packer should buy up everything that was left. There would not be so much left if the small packer was allowed to do business unhampered.

Mr. HAMILTON. Would not the packer be governed by the arrival of stock just the same? Would he not have some way of finding

that out just the same, even if he were not interested in the ownership of the stockyards?

Mr. UNGERMAN. Yes; but it would be proper, in my opinion, for the Government, if it owned them, to post every day what the arrivals would be, and each man could use his own judgment as to whether he wanted to wait until 11 o'clock before he bought or to buy earlier. That is of very material advantage to them. Correct and impartial information should be given all buyers alike.

Mr. HAMILTON. Are your observations of Government management of such a nature as to lead you to think that it is a very efficient operation?

Mr. UNGERMAN. I would not say in all things, but I am taking ice stations because they are simple.

Mr. HAMILTON. I was talking about stockyards.

Mr. UNGERMAN. I am talking about stockyards also along the same line, because a stockyard is nothing but a row of pens, and they do not need to do anything but feed the stock; they do not manufacture anything, and they do not buy any great amount of merchandise, and it does not require any technical men to run it, only men of proper experience in handling live stock and familiar with railroad-traffic matters.

Mr. HAMILTON. But it would require a bureau at Washington that would have a lot of superintendents and inspectors at the yards, and the chances are they would not keep the yards clean and in very good repair.

Mr. UNGERMAN. That is a matter of lack of efficiency.

Mr. HAMILTON. And it would be pretty expensive to the taxpayer.

Mr. UNGERMAN. But there is a way of getting around the stockyards, as far as we are concerned. We are not so much interested, because we have not any large yards at Birmingham, any way, and we buy cattle and hogs in the country. So if anyone would get the market out of line as to prices we could go out in the country and buy, as we do every day, but this is not as satisfactory as buying at the stockyards; but I think anything that might hamper any individual or corporation in the pursuit of his business unduly or unjustly should be removed, and the mere fact that the Government could not do it as well as any other I do not think ought to be allowed to stand in the way.

Mr. HAMILTON. The stockyards are a part of interstate commerce, are they not?

Mr. UNGERMAN. In what respect?

Mr. HAMILTON. Because they are a link in interstate commerce.

The CHAIRMAN. If it is a terminal facility, it is interstate commerce.

Mr. HAMILTON. The elevators have been held to be a part of interstate commerce.

Mr. UNGERMAN. I am talking about where stock is received and sold to the various packers and shippers. It is no interstate affair that I know of; only the Interstate Commerce Commission requires the railroads to unload stock at fixed intervals, but they have never fixed any duties that the stockyards must perform or what they must charge for them. When it is in the stockyards the carrier has nothing to do with it, after it is unloaded in the stockyard.

Mr. HAMILTON. Under the present management the carriers have nothing to do with it?

Mr. UNGERMAN. In reference to the live-stock situation in the Southeastern States—Florida, Georgia, Alabama, Mississippi, Louisiana, Tennessee, and South Carolina—there has been a tremendous increase in the production of cattle and hogs in the last six years. The boll weevil spread himself all over the Southeast and damaged the cotton crop and prevented the raising of a great deal of cotton, and the farmers were driven into raising live stock, which they did, and the increase in our State alone has been tremendous in the last five years. For instance, 10 years ago we did not buy one single carload of hogs in the State of Alabama at one time from one man. Now, as many as 20 cars are shipped at one time from one small town, and as many as 1,000 cars were raised in the southeastern part of Alabama and shipped from one station during the past winter. Georgia ranks fifth in raising the largest number of hogs in the United States. The same prevails, to a certain extent, with the cattle in that district, and we have got to enlarge our operations, for the live stock has got to be shipped out to markets as far away as St. Louis and Cincinnati and Louisville, notwithstanding that Swift & Co. have a plant in Alabama and have one in Georgia, and Wilson has one in Mississippi, and Armour has one at Jacksonville. Notwithstanding all these various plants, the live-stock production is continually outgrowing their capacity. Swift has been enlarging his plant in the past year very materially and so did Armour. But we can not enlarge our plants and extend our business unless we get an outlet outside of Alabama, because we would only have Birmingham practically to do business in, other near-by towns being able to supply their needs locally. Birmingham is a manufacturing town, and consumes a great deal of fresh meat, but if we can not sell outside of the State in some of the big eastern cities we would be limited to our own town of Birmingham, where we have a great deal of competition, because every one of the larger packers has a branch house there, and it amounts to nothing more nor less than this, if we can not carry on our business in the East we have got to go back to Alabama and practically give up the idea of enlarging our business after 20 years of effort.

Mr. HAMILTON. The whole country is interested in your development and wants to see it.

Mr. UNGERMAN. I am not speaking so much for myself; I mean in a general way.

Mr. HAMILTON. I mean the general business. There is no reason why it should not keep on developing if you have proper transportation facilities?

Mr. UNGERMAN. We can develop, and New York is the proper place for us to locate. We have a lot of cheaper cattle that the other packers do not have, and if we can get the cars back in time and we can get a properly located branch house in New York, which we have not been able to find as yet because all the branch houses are all taken and after two years of earnest endeavor we have not succeeded in finding a location suitable in New York for our business down town, not way up town where we are now located, we would be able to keep on developing. We offered a wholesale butcher last October \$6,000 for his stand, which is about 30 by 40 feet, and he would not

sell it, and he wanted \$10,000, and the actual worth of the fixtures was about \$2,000. This stand is in one of the public markets belonging to the city of New York, and is only held by the occupant on lease.

The CHAIRMAN. You spoke of that increase of the live stock in the South, in your own State and others. Unless the icing facilities, packing-house facilities, and refrigerator facilities can be furnished to the extent of the demand, will it not have a tendency to prevent further development and to cause them to go back to cotton? Do you not think it is material to the benefit of the country to go into the raising of live stock more than they have done in the past?

Mr. UNGERMAN. That is my opinion, and I have heard it stated by persons competent to judge that where no live stock is raised in a farming community the community is not very progressive and lacks in all the essentials and comforts. Referring to proposed improvements contemplated by the city of New York in the way of public markets and cold-storage facilities, valuable information along this line is contained in report of Jonathan C. Day, commissioner of public markets, October 4, 1918.

The CHAIRMAN. I come from that section of the country, Tennessee, and I wanted to have your testimony in regard to it.

Mr. HAMILTON. Do you not think that eventually this growth of the live-stock business of the South may tend to reduce the high cost of meat to consumers throughout the country?

Mr. UNGERMAN. Certainly it will. The possibilities in the Southeast are tremendous along those lines.

Mr. HAMILTON. You ought to be able to grow meat cheaper than it is grown in the North; climatic conditions ought to help?

Mr. UNGERMAN. The Department of Agriculture states that the figures show that cattle and hogs can be raised cheaper per pound in the Southeast than in any other part of the United States.

Mr. WINSLOW. Why?

Mr. UNGERMAN. Because the climatic conditions are such that the live stock can be raised at much less cost on account of the mild winters prevailing in that section.

Mr. SWEET. What is your main feed?

Mr. UNGERMAN. A great number of cattle are fed on velvet beans, some are fed on corn, and some just graze and some are fed cottonseed meal and hulls.

Mr. SWEET. Do you raise considerable corn?

Mr. UNGERMAN. Yes, sir; there has been a considerable increase in the corn production in Alabama.

Mr. SWEET. Is that your main feed for the hogs?

Mr. UNGERMAN. The hogs in Alabama and Florida and Georgia are raised probably 60 or 75 per cent of them on peanuts. They are fattened on peanuts.

Mr. HAMILTON. Does it make good pork?

Mr. UNGERMAN. In a way, but it is soft and oily, and that meat is subject to a great deal of shrinkage, and the lard when rendered in summer will turn to oil unless it is mixed with cornfed lard and rolled and chilled, until it gets a proper consistency. But when it comes to food value, I think the peanut hog is just as good as cornfed hogs, has just as much nutriment as the corn-fed hog.

Mr. HAMILTON. If you could just advertise that as a luxury, and get the public to think it had greater nourishing value people might buy it; it is largely a matter of psychology anyway.

Mr. WINSLOW. Cattle do not grow well?

Mr. UNGERMAN. Our cattle as a rule are inferior grade. They are more inferior than Tennessee, but they are superior to Florida; we have got better cattle than Florida, and Tennessee has got better cattle than we have.

Mr. HAMILTON. Can you not get breeds adapted to you conditions?

Mr. WINSLOW. They are inferior because of so many flies and knats, etc., that it seems nothing but a scrub can survive.

Mr. UNGERMAN. It is just a matter of breeding, but the higher you breed the cattle up the thinner the hide gets, and the harder it is for the cattle to resist insect life. My observation leads me to say that there are no small branch houses operated in New York by the smaller packers for the sale of beef and pork and dressed calves for the reason that the car situation is against them. There are a good many of them that would have them, if branch house locations could be had adjoining railroad tracks.

Mr. HAMILTON. These pests and insects do not bother the hogs?

Mr. UNGERMAN. No. I think I am correct in assuming that the carload is the unit of transportation, and that on one carload you ought to receive just the same service that someone else receives on four or five carloads.

The CHAIRMAN. With the same product?

Mr. UNGERMAN. With the same product. That is why it is not fair to say because one man's volume is larger than another he ought to have better service; but the railroads argue along the line of density of traffic; but as the carload is the unit that should receive the same service as any other man's carload.

I wish to say further that the four recommendations made by the Federal Trade Board, and as contained in their report, I think are fair and impartial from every point of view, from the view of the big herder and the little herder, and if they were adopted, either as a whole or to a large extent, they would relieve the trouble of the small packer to a large extent. In fact, we would be perfectly willing to stand and fall right on those four recommendations.

The CHAIRMAN. Mr. Stiness, do you wish to ask any questions?

Mr. STINESS. I understood you to say that you went out into the country and bought a large amount of your stock and cattle?

Mr. UNGERMAN. Yes, sir.

Mr. STINESS. Do you meet with any opposition from any of the big packers?

Mr. UNGERMAN. Yes; they have buyers in the field, too.

Mr. STINESS. There is competition there?

Mr. UNGERMAN. Yes; there is competition there, but it is not any competition where they have any advantage over us, because the farmer will sell us a load of hogs or cattle at the same price offered by others.

Mr. STINESS. Then they have no monopoly in buying?

Mr. UNGERMAN. Not in the country.

Mr. STINESS. And you can buy just as cheaply as they can?

Mr. UNGERMAN. Just as cheap.

Mr. STINESS. And they do not endeavor to buy you out by raising or lowering the prices?

Mr. UNGERMAN. I can not say that they have.

Mr. STINESS. Your chief complaint is the railroad situation?

Mr. UNGERMAN. That is the chief complaint.

Mr. STINESS. And if you could have equal service with the packers on the railroads, for stockyards and icing facilities, you would be entirely satisfied?

Mr. UNGERMAN. And if we could be allowed to establish ourselves in New York, at one of these various market centers that would be convenient, where all of the contract space is taken up by the large packers, and they have four or five branch houses in the same market division.

Mr. STINESS. Have you any complaint to make about the packers using unfair means to drive you out of business, or to embarrass you in your business?

Mr. UNGERMAN. No; I have not.

Mr. STINESS. Do you approve of this bill as a whole?

Mr. UNGERMAN. I am not familiar with the bill, unless it embodies the four recommendations of the Federal board.

Mr. STINESS. I do not remember the four recommendations by the board. You have read this bill have you not?

Mr. UNGERMAN. No, sir; I have not.

Mr. STINESS. What are these four recommendations of the Federal Trade Board?

Mr. UNGERMAN. The first is:

1. That the Government acquire, through the Railroad Administration, all rolling stock used for the transportation of meat animals and that such ownership be declared a Government monopoly.

Mr. STINESS. Are you in favor of that?

Mr. UNGERMAN. We have never suffered from lack of cars. I should not say that would be necessary.

Mr. STINESS. Then you are not in favor of that first recommendation?

Mr. UNGERMAN. It would not hurt; it seems to me we could get along without that.

Mr. STINESS. But you are not advocating it?

Mr. UNGERMAN. No.

Mr. STINESS. Let us take the second.

Mr. UNGERMAN (reading):

That the Government acquire, through the Railroad Administration, the principal and necessary stockyards of the country, to be treated as freight depots and to be operated under such conditions as will insure open, competitive markets, with uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of live-stock production in the United States may require. This to include customary adjuncts of stockyards.

I would say about the stockyards that if they did not own them absolutely the Government should exercise strict supervision in every sense of the word as to their operation, as to the receipts, and anything or everything that might occur in the operation of the stockyards that would be detrimental to any particular buyer.

Mr. STINESS. You are in favor of regulation?

Mr. UNGERMAN. Yes, sir; strict regulation or ownership.

Mr. STINESS. Are you in favor of ownership first?

Mr. UNGERMAN. Yes.

Mr. STINESS. You would rather have the Government own them than to regulate them?

Mr. UNGERMAN. Yes, sir.

Mr. STINESS. What is third one?

Mr. UNGERMAN (reading):

That the Government acquire, through the Railroad Administration, all privately owned refrigerator cars and all necessary equipment for their proper operation, and that such ownership be declared a Government monopoly.

Mr. STINESS. You are in favor of that?

Mr. UNGERMAN. I am not so much in favor of owning the cars as I am in the establishment of some kind of a license by the Federal Government, whereby each and every man's refrigerator cars get proper service. Whether they are owned by Government or not is immaterial, so far as I am concerned.

Mr. STINESS. That is, if the Interstate Commerce Commission or some other authority should order the railroads to have a sufficient number of cars to take care of your product and that of the other independent packers, that would be satisfactory to you?

Mr. UNGERMAN. That would be satisfactory; but I would say that we are willing to provide ourselves with our own cars, either by lease or purchase. We do not even ask that the railroad companies provide us with cars.

Mr. STINESS. You want railroad service?

Mr. UNGERMAN. We want railroad service.

Mr. STINESS. What is the last provision?

Mr. UNGERMAN (reading):

4. That the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption, the same to be operated by the Government as public markets and storage places, under such conditions as will afford an outlet for all manufacturers and handlers of food products on equal terms. Supplementing the marketing and storage facilities thus acquired, the Federal Government establish, through the Railroad Administration, at the terminals of all principal points of distribution and consumption, central wholesale markets and storage plants, with facilities open to all upon payment of just and fair charges.

Mr. STINESS. I believe in that fully.

Mr. UNGERMAN. Well, that will still allow us to have our branch house. This means that they would build public markets, and we could go in there and rent a section or a store in this market, which is fitted up with refrigeration—I mean with an insulated refrigerator—and the Government would furnish, or this central agency would furnish, the refrigeration which is required in the handling of this business. Now then, you see, no one could go and take up all the track facilities. The handling of dressed beef and pork must be from the car direct into the refrigerator. If you haul it 1 block in an automobile truck or by any other method, you expose it to the air in the summer, even for 10 minutes, and it deteriorates very much; it sweats; and then, after that sweat dries on it, it makes it sticky—that is, speaking of the dressed product.

Mr. STINESS. Then, if you could have these railroad facilities—shipping and icing and storage plants, and stockyards, all of which

are connected with the railroads—there is nothing else that you would change in this bill or change in the present law?

Mr. UNGERMAN. No; not that I know of.

Mr. STINESS. You don't believe the Government should take over all these packing houses and own them, do you?

Mr. UNGERMAN. I think that would be a big mistake. I don't think anybody can run these large packing houses as well as the present owners.

Mr. STINESS. Then if there could be some agency by which railroads would give you equal service with the others, you would be entirely satisfied?

Mr. UNGERMAN. We certainly would.

Mr. STINESS. That is all I care to ask.

Mr. WINSLOW. How long have you been operating?

Mr. UNGERMAN. Our plant?

Mr. WINSLOW. Yes.

Mr. UNGERMAN. About 20 years.

Mr. WINSLOW. What did you incorporate for in the beginning?

Mr. UNGERMAN. We incorporated in the year 1907.

Mr. WINSLOW. For how much capitalization?

Mr. UNGERMAN. \$100,000.

Mr. WINSLOW. No surplus?

Mr. UNGERMAN. No, sir.

Mr. WINSLOW. What is your capitalization now?

Mr. UNGERMAN. The same.

Mr. WINSLOW. Any surplus?

Mr. UNGERMAN. Yes; we have a surplus of about \$175,000.

Mr. WINSLOW. And you started 20 years ago?

Mr. UNGERMAN. Yes, sir.

Mr. WINSLOW. And you have been paying dividends?

Mr. UNGERMAN. Not many.

Mr. WINSLOW. How much?

Mr. UNGERMAN. We haven't paid but dividends amounting in the total to 12 per cent in that time. That is only 12 years since we incorporated, not 20 years. We have been in business 20 years, but we have been incorporated only 12 years.

Mr. WINSLOW. And you have paid dividends for 12 years?

Mr. HAMILTON. He said he had been in business 20 years, but had been incorporated 12.

Mr. WINSLOW. And when you incorporated what was your capitalization?

Mr. UNGERMAN. \$100,000.

Mr. WINSLOW. And during the 12 years what dividends did you pay?

Mr. UNGERMAN. Twelve per cent is the total; all we have paid in those 12 years.

Mr. WINSLOW. Twelve per cent is the total?

Mr. UNGERMAN. Yes, sir; 12 per cent.

Mr. WINSLOW. What is the highest salary you pay?

Mr. UNGERMAN. \$6,000 per year.

Mr. WINSLOW. What is your turnover now?

Mr. UNGERMAN. Exactly what do you mean by the "turnover"?

Mr. WINSLOW. Well, the amount of your business, the amount of business you do.

Mr. UNGERMAN. The gross amount of our business, including the sale of hides, tallow, and offal, is \$2,000,000 a year.

Mr. WINSLOW. What was it the first year? Do you happen to remember that?

Mr. UNGERMAN. Oh, I don't remember. I think about \$400,000.

Mr. WINSLOW. So, on that basis, you have made about \$187,000 in 12 years?

Mr. UNGERMAN. Yes, sir.

Mr. WINSLOW. That is about 18 per cent?

Mr. UNGERMAN. Well, Mr. Winslow, I will have to explain—

Mr. WINSLOW. I mean 118 per cent.

Mr. UNGERMAN. No; \$175,000. You see we had a capital of \$100,000, and if we made 8 per cent for 12 years that would make 96 per cent.

Mr. WINSLOW. I understood you to say you had \$187,000.

Mr. UNGERMAN. One hundred and seventy-five thousand dollars; but I was going to explain that all that surplus did not come from the meat business. We operated, in addition, for 20 years also an ice factory, and we did, formerly, a cold-storage business, which we have now discontinued; and we have made more money out of the ice factory than we ever did out of our meat business, and we worked, in the meantime, harder with the meat business than we did with the ice factory.

Mr. WINSLOW. What would you say was the return on the meat business?

Mr. UNGERMAN. I have no method of judging offhand, but I am sure that two-thirds of this surplus was accumulated in the ice factory and cold storage together.

Mr. WINSLOW. That would be about \$60,000 in 12 years, about \$5,000 a year on \$100,000.

Mr. UNGERMAN. Yes, sir. We have had some years that we operated at a loss, when we didn't make anything, when we showed a loss. In other years we made 8 or 9 per cent, and in some years 12 per cent.

Mr. WINSLOW. Take it for the last five years.

Mr. UNGERMAN. What do you mean? What would the total earnings be for the last five years?

Mr. WINSLOW. The average per annum.

Mr. UNGERMAN. Well, I should say about \$15,000.

Mr. WINSLOW. The total?

Mr. UNGERMAN. Fifteen thousand dollars per year.

Mr. WINSLOW. That is 15 per cent net?

Mr. UNGERMAN. Yes. Well, you see we have got this surplus in there that belongs to us, and which we can draw out, and we are entitled to earn some interest on the surplus, you see.

The CHAIRMAN. Fifteen per cent on the capital stock and not on the investment.

Mr. WINSLOW. Five years ago what was your surplus?

Mr. UNGERMAN. I don't know; it might have been around \$50,000—\$50,000 or \$70,000. I don't know, and I wouldn't like to say anything that I don't know. I know you are trying—if I may judge—you are trying to get me to say that our business has been profitable right along.

Mr. WINSLOW. I want you to say the facts; I don't care what you say.

Mr. UNGERMAN. Well, I would put it in this way: That taking it all in all for 20 years the meat business has been very unsatisfactory so far as we are concerned as regards profits, and that the ice business which we have conducted has been very much more satisfactory and very much more profitable, as also the cold-storage business.

Mr. WINSLOW. But you gave up the ice business?

Mr. UNGERMAN. No; we haven't given up the ice business.

Mr. WINSLOW. I thought you said you had.

Mr. UNGERMAN. No; we gave up the cold-storage business.

Mr. WINSLOW. And you think you haven't made money because you haven't had good service in transportation plus good headquarters in New York?

Mr. UNGERMAN. No; that is not the only reason. I just think we have as good a right to do business in New York as anybody else, and I don't mind whether Armour makes \$20 000,000 a year or \$120,000,000 a year. That is all right so far as I am concerned. All I want is just fair and unhampered opportunity and the measure of the other man's success isn't material to me. I hope that whatever he makes he makes it in the right manner whoever it may be.

Mr. WINSLOW. Well, I agree with you on that, but what I was trying to come at was this: Whether you had a business that was profitable or whether you had one that perhaps on the whole did not indicate the wisdom of carrying on a packing business down there.

Mr. UNGERMAN. Well, to sum it up, it amounts to this: If we can't establish ourselves in the eastern markets and have to go back and maintain strictly a local business at Birmingham, we will have to go out of business to a very large extent. That is all there is to it.

Mr. WINSLOW. Well, you raise an interesting question, of course, you realize; different from anything else we have had. As I understood you this morning, somewhere in your article you said you went to New York from Alabama, that long distance, for the reason that you got a greater variety of quality.

Mr. UNGERMAN. A greater variety of customers. I mean the consuming public there uses a variety of products—packing-house products, fresh meat, cured meat, sausage, lard; anything. That is the reason we went to New York, because we felt that we only needed one branch house, and the best place to put that branch house would be in the largest center of population that we could find, which would be New York.

Mr. WINSLOW. Well, then, that probably depends on the kind of business.

Mr. UNGERMAN. There is just this instance here along with that: In the city of Birmingham when we slaughter 600 or 700 cattle per week we have 700 beef tongues per week. We can't sell two dozen in our town. We have 500 or 600 tongues on hand there. Now, there is nothing to do with them if we can't sell them in New York but to take them down there and cut them up into sausage meat and sell them at a very much lower price than they are worth. Then again we take what we call the heavy cattle, the fat cows, the butchers of Birmingham won't use those fat cows. Now, the New York people like that grade of beef, and if we can't go out into the market at Nashville or go out into the country in Alabama and Georgia and

buy the various grades of cattle from any farmer or from the stockyard they soon get the idea into their head that here is the Birmingham Packing Co. that is not buying anything but bulls or canner cattle; he is not going to buy any good cattle, so if a man has got a mixed load of cattle and wants to sell them we would want to take the bulls and canners out and maybe turn the fat ones back, and he would say, "I would rather sell all of them to one man," which he would, and so we need an outlet where we can sell this heavier grade of fat cows, as you might say. And that same thing applies to various other articles in our line of business. It is a proposition that is forced on us.

Mr. WINSLOW. If that is the fact, where do you get the short end of it through the stockyards?

Mr. UNGERMAN. Well, I didn't say we got the short end of it; I said we were not very much bothered about the stockyards, although the only thing that I am bearing in mind is that we do buy cattle and hogs at Nashville, Tenn. There is a public stockyard there. We buy also at Montgomery, Ala., just south of us, where there is a stockyard. Now, as long as both those stockyards are owned and controlled, and the competition is free and above board, we are all right, but if any of the larger packers would get control of it, or any other concern that was allied with them, then they would have a distinct advantage over us immediately.

Mr. WINSLOW. Have you ever experienced that?

Mr. UNGERMAN. We never have.

Mr. WINSLOW. So that is kind of a pipe dream?

Mr. UNGERMAN. No; it may be a very realistic one.

Mr. WINSLOW. Well, it looks to me as if you were creating a bugaboo there that don't exist.

Mr. UNGERMAN. No; I am only looking ahead.

Mr. WINSLOW. You have never felt it, and the other people that come here say they have never felt it.

Mr. UNGERMAN. Well, Mr. Winslow, I don't—I have got to express my opinion as I feel it.

Mr. WINSLOW. Certainly.

Mr. UNGERMAN. I don't care if 50 who have appeared before me don't think so, I am just anticipating something that may never happen, but if it does happen it would be a very bad thing for us.

Mr. WINSLOW. Now, you say that it might some day happen, although you say it never has; would you have confidence in Congress legislating for such a condition?

Mr. UNGERMAN. I couldn't say that. We would try to get relief.

Mr. WINSLOW. When it happened?

Mr. UNGERMAN. Yes.

Mr. WINSLOW. But you wouldn't expect us to anticipate problems like that?

Mr. UNGERMAN. No.

Mr. WINSLOW. Well, that is what this bill is, you know, about something real, not imaginary.

Mr. UNGERMAN. Well, now, I am testifying along the general trend—that is, I am not only testifying for my own firm but I am testifying for all of the independents—I might say, because the big ones don't need it; and if they are located at St. Louis, for instance,

and are suffering from the stockyards control, I really feel that I am not doing anything more than the right thing by helping them, because I might need help, too, sometime.

Mr. WINSLOW. But the fact is, if my memory serves me correctly, that all the independents, so called, the small packers, who have been here have had no complaint whatsoever about the stockyards. They say it is an open market, so that seems to me to be another bugaboo.

Mr. UNGERMAN. Well, I just said that that was my opinion. I would just have to stand by it.

Mr. WINSLOW. But I think I see your point, and I would like to ask you if I am right. You are trying to carry on a business there which, in respect of the whole industry, is a little bit different from everyone else whom we have had. It is a perfectly legitimate business. Now, for that business you want a fair chance to do it.

Mr. UNGERMAN. That's all.

Mr. WINSLOW. Now then, if all you want is to be furnished proper facilities for transporting, you have that under a law already on the books.

Mr. UNGERMAN. I don't think the law is sufficient. This case known as the private-car case—the conclusion reached as of date July 31—orders the carriers to transport these refrigerator cars back to their owners and lessees promptly, but they don't do it, and there is no penalty attached to make them do it. Now, what about that?

Mr. WINSLOW. Well, but we have a body here, known as the Interstate Commerce Commission, which is appointed to work up all those troubles, and if they exist under the law, you have a chance to demonstrate it there. It isn't a question for new law.

Mr. UNGERMAN. That is why I say, if you make a law and don't attach a penalty, why, seemingly the law might just as well have not been made, because we haven't got any better service since this new law of July 31—since that was put on the books by the Interstate Commerce Commission—than we did before; and when we go to the railroad people and ask them and cite them to this law here, that you must return our cars promptly, they seemingly don't pay any attention to it.

Mr. WINSLOW. Have you ever appealed to the Interstate Commerce Commission for relief?

Mr. UNGERMAN. No, we have not; but we are waiting to see——

The CHAIRMAN. The decision you refer to is a ruling of the Interstate Commerce Commission?

Mr. UNGERMAN. Yes, sir.

Mr. WINSLOW. Is that this year?

Mr. UNGERMAN. Last year.

The CHAIRMAN. In 1918.

Mr. UNGERMAN. Known as the private-car case—July 31.

The CHAIRMAN. Well, that was based on what is called the Esch car-service law, isn't it? But the Interstate Commerce Commission has got no power to do what you talk about. They don't initiate rates or initiate customs, or anything of that sort. They can't do it. They have no power to do it. They can only pass on the rates and customs put in by the railroads themselves, and since 1918 they have had no power to do that, because the railroads were in the hands of the Government.

Mr. WINSLOW. Of course, you can't appeal beyond the Government.

The CHAIRMAN. And you and I voted for the law.

Mr. WINSLOW. Yes; and what I want to know, Mr. Chairman, is whether or not I have got to vote for another one to do the same thing?

The CHAIRMAN. Well, then, is there any other you have in mind?

Mr. WINSLOW. No; I haven't it in mind, except in this last three or four weeks of testimony we have had here.

The CHAIRMAN. Is that the report of the commission giving those recommendations [indicating pamphlet].

Mr. UNGERMAN. Giving the four recommendations?

The CHAIRMAN. Yes.

Mr. WINSLOW. The point with me is this—and members of the committee can just as well know it—if we have laws to remedy the evil that you speak of, and I think it is an evil, we ought to have those laws enforced, and we ought not to be passing any more laws until we know whether they can be enforced or not. If we haven't laws, I think we ought to enact some. Now, if your testimony is that all you want is the service which you could get under existing law, that is one thing; if you want a new law, that is another thing.

Mr. UNGERMAN. In my opinion, the law, or this what you may say recommendation, as laid down by the Interstate Commerce Commission last July the 31st, is not sufficient because it tells them what to do, but if they don't do it, it lets them alone.

The CHAIRMAN. In passing the law no penalty was provided for its enforcement.

Mr. UNGERMAN. They passed a law requiring the carriers to bring these cars back promptly to the owners and lessees, and said no more, and if they don't bring them back, well and good. I don't know whether we would have any right to sue them for damages for not bringing them back. I did inquire of our lawyer about that and he said that wouldn't help the business any.

The CHAIRMAN. That wouldn't do your business any good. You couldn't ship meat on damage suits?

Mr. UNGERMAN. No, sir.

Mr. HAMILTON. Do you make any money out of by-products?

Mr. UNGERMAN. Yes—I don't know whether we could say we make any money out of by-products or not. We operate our business along the line of by-products as follows: If we take a carload of cattle and they, say, cost \$1,000, and we take the dressed beef only—that is, the sides strictly—and we weight that; then we weigh the hides and the tallow and the bones and the livers and the tongues—in fact, all the offal, and add that up at its value, and we deduct that from the cost of the steer alive, and that will produce a certain number of dollars through which the weight of beef is run, and that gives us the net actual cost of the beef hanging on the railing, as we call it, without any profit and without any expense of manufacture.

Mr. HAMILTON. You don't make any money, then, out of the intestines and glands?

Mr. UNGERMAN. Yes: we clean the intestines and sell them for sausage casings, or use them ourselves for that purpose.

Mr. HAMILTON. Do you make any money out of glands?

Mr. UNGERMAN. No; we don't do anything with glands.

Mr. HAMILTON. Do you make pepsin and that sort of thing?

Mr. UNGERMAN. No. We save our hog hair, but we don't make pepsin.

Mr. HAMILTON. What are you paying for hogs?

Mr. UNGERMAN. We are paying about—well, at what time? Just recently?

Mr. HAMILTON. Yes.

Mr. UNGERMAN. About 16½ cents a pound for southern hogs, live.

Mr. HAMILTON. How does that coincide with the recommendation of the Food Administration?

The CHAIRMAN. Their's was 17½ cents at Chicago.

Mr. UNGERMAN. Yes.

Mr. WINSLOW. It is according to the quality, too, isn't it?

Mr. UNGERMAN. Yes; according to the quality. They don't pay the maximum price at Chicago or at any market according to the food board's ruling for all the hogs, but they only pay that for certain hogs, and then it is followed down for different grades, some hogs over weight and some under.

Mr. HAMILTON. Then actually the price is gauged by 17½ cents as the standard?

Mr. UNGERMAN. Gauged by the quality of hogs they buy.

Mr. HAMILTON. Then you are governed by the 17½?

Mr. UNGERMAN. Yes—that is, if we got what is known as a "top" hog, we would have to pay the top price at Birmingham.

Mr. HAMILTON. Well, they do the same thing in the Chicago market, don't they?

Mr. UNGERMAN. The same thing; yes, sir. But if the minimum price is \$17.50 for tops, why the majority of the hogs will be sold generally at less than that, because that is the price for the very best hog, and most of the hogs are not the very best. A large number are medium, some overweight and some underweight.

Mr. HAMILTON. Of course there is an opportunity for discrimination under that practice—that is, the packer might take advantage of it and say that a hog which was mighty close to first grade would have to go into the second grade?

Mr. UNGERMAN. It would be rather hard to do that, because everybody knows pretty well what a top hog is, that is acquainted with the trade.

Mr. HAMILTON. I won't take your time on that.

One other proposition. Do you find, for instance, in New York—in fact, you can't get a market down town. That is a local problem which almost any interstate business seeking purchasers in a big city would be confronted with, which had not had an opportunity to establish itself some time ago in commerce.

Mr. UNGERMAN. The difference is that if we wanted to open a grocery store or a shoe shop in New York, there would be thousands of sites available, good ones, but to open what is known as a dressed-beef branch house you have got to get track facilities for unloading, and that is not available in New York City. The trackage that can be had is used up.

Mr. HAMILTON. Well, that is really a local problem.

Mr. UNGERMAN. Yes.

Mr. HAMILTON. Now, to solve that, you suggest Government ownership?

Mr. UNGERMAN. No; I suggested—I thought that the recommendation as herein contained, that either the State or Federal authorities should build central cold-storage warehouses whereby there would be a number of stores that could be let to various independent packers or to the large packers at a fair rental.

Mr. HAMILTON. By either Federal or State authorities?

Mr. UNGERMAN. Yes, sir.

The CHAIRMAN. Or city authorities?

Mr. HAMILTON. Or city. Now, that brings me to exactly what I had in mind, whether, after all, that is not a problem which ought to be solved by the States themselves; whether we as taxpayers of the Government should be taxed to go into a Federal business in the big cities, to furnish marketing facilities, when, after all, the business is confined to a few—the business you complain of, the failure of the business you complain of—is confined to a few big cities, and whether it ought not therefore to be solved by the municipality itself, preferably; or if not by the municipality, then by the State, provided, and in that I am not in agreement with you, provided you resort to public ownership.

Mr. UNGERMAN. Well, I look at it this way: That the live-stock industry and the packing business go hand in hand. It is a necessity of life, a food product, and any method that would hinder the proper carrying on of that business ought to be done away with. Now, we will take in New York; if the city of New York, the citizens themselves, are not enough interested and public spirited to do what would be the right thing, then the State of New York should do it, and failing the State of New York doing it, the Federal Government should do it, because it affects all the people away from New York. It affects the man in Iowa, the man in Nebraska, and the man down in Texas, because his product goes to New York to sell and it ought to be sold in free and open competition.

Mr. HAMILTON. Well, I see your line of reasoning, but outside of the city of New York, the State of New York might say, "This is not our problem; this is the problem of the city of New York. If the people of New York want better marketing facilities so as to permit a larger supply of meat to reach them, then they should provide those better facilities." And the argument presents itself with greater force as to the relation of the Nation at large to the market in New York. The average taxpayer might feel that he ought not to be taxed to provide better market facilities for the people who choose to live in the city of New York.

Mr. UNGERMAN. Well, there is no necessity to tax the people for that, because the branch houses erected in New York could command a premium and bring a rental of more than sufficient to pay the interest charges or anything else.

Mr. HAMILTON. Don't you think there is danger of the United States going too much into industries that ought to be left to the initiative and operation of the average man?

Mr. UNGERMAN. They may be, but—

Mr. HAMILTON (interposing). Now, really, don't you feel that way about it as an American citizen?

Mr. UNGERMAN. I do to just the extent I stated just now. Whenever a situation exists that hampers a great big field of industry like

that that so many people are interested in, that should be cured some way or other, and if one don't do it the other one should; and I would say, just as I said just now, I think it would be the very worst thing that the Government could do to take over the packing houses, but still at the same time I don't think it is the wrong thing for them to do to even take over these cars or take these icing stations, because you and I and everybody in the business has to use them. That is more or less of a public nature. These branch house facilities are a public warehouse also. It has a public aspect, not so much individual. I wouldn't say that the Government should build these plants there and then go into the general storage business, the storage of furs or the storage of apples or anything else. They should just provide facilities whereby independent packers or what may be known as not independent—even the larger ones might go in there and rent places to carry on their business, but not allow any one man or any set of men to go in there and use up all the stores, because if he did, then the scheme for which the place was built would be lost.

Mr. HAMILTON. Well, I don't think we can gain anything by going any further with it. I have your idea on the subject. By the way, have you looked into this subject of public markets on the continent of Europe?

Mr. UNGERMAN. No, sir.

Mr. HAMILTON. I think that Germany maintained public markets before the war. What do you know about that, Mr. Winslow?

Mr. WINSLOW. They have public markets, but I don't know anything about them.

Mr. HAMILTON. I think they have municipal markets.

Mr. UNGERMAN. Well, they have in this country markets—you know New York City owns right in this district I am telling you about; they have got a market building there covering two blocks. They must have 100 tenants at least, but they have only got one section of it along one side where there is a railroad track, and that is where I was trying to buy this man's stand, so I could unload from this railroad track into this box. Then, next to that is Wilson & Co., and then there is a man in there that doesn't need a track, and then there is another man that is named Wheeler, and then Cudahy, and just beyond that Armour & Co. That uses up all the side track they have. Then there are about 80 markets or 80 stores through there, and these other blocks have no trackage facilities.

Mr. HAMILTON. That is where?

Mr. UNGERMAN. Fourteenth Street, New York, and owned by the city of New York and rented under the following conditions: If I go in there and rent one of those stores, it is my store, presumably, as long as I pay the rent and conduct business in the proper fashion.

Mr. HAMILTON. Well, it strikes me that is a local problem in New York.

The CHAIRMAN. Now, I want to take you up right where Mr. Hamilton quit you. How Mr. Hamilton or anybody else can think that the great city of New York and the port of New York is a mere local institution and exists only for the people who live there is more than I can understand.

Mr. HAMILTON. As to this particular question.

The CHAIRMAN. Or any other question. Now, for instance, I understand from you that as a matter of economic compulsion you

have to buy mixed droves of cattle, buy what is offered, buy all or none?

Mr. UNGERMAN. Yes, sir.

The CHAIRMAN. And if you don't take all, you can't get what you want?

Mr. UNGERMAN. Exactly.

The CHAIRMAN. Then it is absolutely necessary that you should have access to a market where you can dispose of all that you buy.

Mr. UNGERMAN. Yes, sir.

The CHAIRMAN. And if you don't buy it all you can't make a success, and if you can't sell it all you can't make a success.

Mr. UNGERMAN. That is right.

The CHAIRMAN. Now, New York is the only place with reach of Birmingham where you are assured that you can sell all the products that you make from your purchases?

Mr. UNGERMAN. That is my opinion and my experience.

The CHAIRMAN. Therefore, in order for an industry of your kind in Birmingham, Ala., to succeed it must have an outlet of the kind that New York City only furnishes.

Mr. UNGERMAN. That is right.

The CHAIRMAN. And you can't have it unless you can purchase or lease a branch house in New York City?

Mr. UNGERMAN. Located on a railroad track.

The CHAIRMAN. On a railroad track.

Mr. UNGERMAN. Yes, sir.

The CHAIRMAN. Now, this report of the commission—I mean the Federal Trade Commission—was made some months ago—at least it was made before the armistice was signed, and a considerable time before—I don't recall just how long. Now, there was no way by which the Government of the United States could go into New York City and buy one of these branch-house cites or anything of that sort except by doing it through the transportation factors—I mean during the time of Government railroad control, because the Government had charge of interstate commerce; therefore, it could buy a terminal facility in New York but could only do it through the Railroad Administration, which was then under Government control.

Mr. HAMILTON. We are not talking about terminal facilities.

The CHAIRMAN. But every recommendation therein made says "through the Federal control of the railway administration," which showed that the report was made and the recommendations were made with the view to its taking place while the railroads were in the hands of the Government; and yet gentlemen know all that and then come here and sit day in and day out and say that this was to be done as a permanent policy, when it provides it shall be done through the control of the railroads by the Railroad Administration.

Mr. HAMILTON. Now, I want to ask you a question there, Mr. Chairman, then I have got to go. If your argument is good as to New York City, then your argument would be good as to Boston, Philadelphia, Chicago, San Francisco—

The CHAIRMAN (interposing). And any other great city.

Mr. HAMILTON. And every other big city in the United States, and the people of the United States should be taxed, then, to maintain markets in every big city in the Union?

The CHAIRMAN. Now, then, your proposition does not involve one cent of taxation, and not one cent of loss to the people at large. It only provides that the railroads, through the Railroad Administra-

tion, and, if the railroads were privately operated they could operate these facilities, or rent them, and charge a return for them that would prevent any taxation on the people, and the gentleman just explained that they rent for a profit. Now, what is the use of trying to prejudice the thing by saying that the public taxpayers will have to pay that, when there is not the slightest possibility of their ever paying a dime of it as a loss?

Mr. HAMILTON. Wouldn't they have to have a supervisory board?

The CHAIRMAN. Of course.

Mr. HAMILTON. Wouldn't the Government have to pay for that?

The CHAIRMAN. It would come in as part of the expense of operating, and they would collect every dollar of the expense from those that use these things.

Mr. HAMILTON. And we would have a bureau here in Washington to look after it.

The CHAIRMAN. Nothing of the sort to take care of this New York terminal. It would be taken care of through the railroads who would serve that terminal, those branch houses right there in New York.

Mr. HAMILTON. That is not part of the railroad terminal.

The CHAIRMAN. Yes, it is.

Mr. HAMILTON. A passenger station might be, but marketing facilities for the city of New York are not.

The CHAIRMAN. You are trying to localize it in New York, but the whole United States is interested in this matter, not alone the City of New York.

Mr. HAMILTON. No; I understand your argument applies to every big city in the Union?

The CHAIRMAN. Where it is necessary as a port of entry, or necessary to distribute products.

Mr. UNGERMAN. Here is a question he couldn't answer very well. If I were to ship a carload of meat to New York and we didn't have any branch house up there, what would the railroads do with it; a carload of dressed beef?

Mr. HAMILTON. If you wanted to ship a carload of dressed beef to New York city?

Mr. UNGERMAN. Yes; what would they do with it when it got there?

Mr. HAMILTON. That depends on who you consigned it to.

Mr. UNGERMAN. Well, consigned to any one. They would notify us that that car of beef was there, and we would have to go out into the weather, in winter or summer, rain or shine, and unload it.

Mr. HAMILTON. Your consignee would have to go and get the beef, wouldn't he?

Mr. UNGERMAN. Yes, sir.

Mr. HAMILTON. Well, that would be under primitive conditions. Those conditions don't exist now.

The CHAIRMAN. Now, Mr. Hamilton, the seller is just as much interested in it as the buyer, and it is just as necessary to give the seller an opportunity as it is to give the buyer an opportunity. Now, I don't understand that you or anybody else advocates Government ownership of anything just simply in order that it should be Government-owned, but where the service that is necessary to be rendered for the benefit of the whole people is not being rendered

through private ownership, and can be rendered through Government ownership, that you would rather the Government would render it than for the service not to be rendered at all.

Mr. UNGERMAN. Yes, sir.

Mr. STINESS. That is rather putting the question into the witness's mouth, Mr. Chairman.

The CHAIRMAN. Well, I would gather that from what he stated.

Mr. UNGERMAN. Well, I could testify like this: That unless the Government, State or city of New York does build some facilities at New York City, that the independent packer will not be able to establish himself there. The Government has got more power than we. They could condemn a plot of land and build on it.

The CHAIRMAN. Upon the theory that the city of New York should furnish all facilities at New York, then I would suppose that the city of New York ought to have improved their harbor instead of the Congress of the United States taxing the whole people for doing it, and they don't charge anything for the use of it. I find that these gentlemen are much opposed to the Nation, the State, or a city doing anything, where there is an opportunity to make any money out of it by a corporation or an individual, but that it is all right for the Government to stand all the expense it will in the way of public expenditure for harbor improvements, and charge absolutely nothing for them.

Mr. HAMILTON. Then, you see a close analogy between the improvement of the great harbor of New York for national and international commerce and a local meat market?

The CHAIRMAN. There is no use in improving a great harbor for international commerce and then make it so that some of the citizens can't do business through that harbor by not giving them fair opportunity to use that harbor and that facility. Now, here is a gentleman, a practical man, that says he can't get a branch house and therefore he can't deliver his products in New York City, and if he can't get a branch house in New York City he can't sell all of his products, and if he can't sell all of the finished products he can't buy all the raw material, and then his business goes down and the people of Alabama cease to produce the very cattle which are necessary for the benefit of the whole country. That is where your logic leads to.

Mr. STINESS. Mr. Chairman, I didn't understand him to say that. I understood him to say he couldn't get a branch house at figures that were attractive to him, but that he could get a branch house if he paid an immense price for it. Isn't that so, Mr. Witness?

Mr. UNGERMAN. I said this: That we could have gotten what would have probably suited us at a price of \$10,000, and I offered them \$6,000. But that, still, is not a location that anyone ought to have.

Mr. STINESS. But you could get a house if you wanted it, if you wanted to pay the price?

Mr. UNGERMAN. No; that is the only one I know, and that is not suitable, but better than none.

Mr. STINESS. Oh, well, that is just a question for you to decide.

The CHAIRMAN. Mr. Stiness, I understood the witness to say this—and if I didn't understand him, I want to understand him—that in order to have a branch house in which the fresh-meat business can be done, it must be upon a railroad track.

Mr. UNGERMAN. Yes, sir.

The CHAIRMAN. And that the track facilities were not sufficient for everyone that needed them in order to have a branch house on the existing tracks, but if you had either a Government-owned warehouse or a New York State-owned warehouse or a city-owned warehouse, with sufficient trackage room and sufficient room for all of them to have this facility, that in that way only could they all get in on equal terms and be open to everybody alike doing the same business. Now, I understood that to be the substance of what you said.

Mr. STINESS. But, if such a place was established you would have a branch house in addition to that storage place, wouldn't you?

Mr. UNGERMAN. No.

Mr. STINESS. You couldn't sell it from the storage place.

Mr. UNGERMAN. What is known as a storage place is a huge building with stores side by side, with, say, 20 or 25 feet front, running back 80 or 100 feet on the grade floor, and one man could rent one store or one man might have a larger business and rent two and throw the two into one, but they would run along on the grade floor, and they would have to be refrigerated. Now, alongside of this building, preferably in the rear, must run the railroad track, so that a man can take his beef out and handle it on the track and roll it into his box and leave it in there until the customer comes along and likes and buys it and it is taken out and weighed and put onto a truck and sent to the retail market.

Mr. HAMILTON. Mr. Chairman, might I respectfully submit an inquiry to the witness for the sake of information?

The CHAIRMAN. Certainly.

Mr. HAMILTON. Now, you say that you have difficulty because the space is all occupied in this New York market?

Mr. UNGERMAN. Yes, sir.

Mr. HAMILTON. Suppose the Government owned that market, or the State of New York, or the city of New York; might you not encounter exactly the same difficulty because all the space was occupied by your predecessors?

Mr. UNGERMAN. Well, that might be, but I would assume that if the State of New York, or the Government, or the city of New York would build a market they would build it large enough to meet the needs.

Mr. HAMILTON. But the South has been expanding.

Mr. UNGERMAN. Yes; whenever the needs reach the limit of the storage, why, they could build another storage.

Mr. HAMILTON. But suppose that the city was settled up and grown up, and it was difficult to expand and get a railroad; wouldn't you have the same difficulty?

Mr. UNGERMAN. The market centers for beef distribution are generally in a part of the old city of New York, where the buildings are old, and you can get all you want in the way of purchase. You can buy thousands of sites, but they don't abut the railroad track.

Mr. HAMILTON. It all resolves itself into this: It would cost \$4,000 more to get the kind of a place you want, and the chairman in his enthusiasm would like to have the Government embark in Government ownership of markets in New York.

Mr. UNGERMAN. I wouldn't say that.

The CHAIRMAN. I can say with equal logic, that to oppose such a thing—that is, to embark in the business of corporation ownership

of the Government—would apply equally to the improvement of the harbor of New York.

Mr. UNGERMAN. I might say, further; if we took that one store that was available, then everybody else would be out.

Mr. HAMILTON. Then you would make some money?

The CHAIRMAN. Now, upon the theory, if the ships keep coming to New York and keep increasing the commerce, the foreign commerce of New York, upon the theory of Brother Hamilton the Government of the United States or the State of New York or the city of New York should not increase the harbor facilities, but the people there should do it; private ownership should do it and get the benefit of it or get the profit out of the investment. One is just as reasonable as the other.

Mr. HAMILTON. In other words, you see an analogy between national and international commerce in the harbor of New York and a 2 by 4 meat market?

Mr. UNGERMAN. No; this is not a 2 by 4 meat market.

Mr. HAMILTON. Well, 2 by 4 compared with national and international commerce; infinitesimal compared with national and international commerce.

Mr. UNGERMAN. There are places there that cost a million dollars or more. I would assume that the importance of what the people need is more the measure than what it would cost; that is, if you built a house there that cost \$500,000 and it did as much good to the people as the harbor improvements that cost \$500,000,000, I think that would be a good investment.

Mr. HAMILTON. That is a pretty good argument for socialism.

The CHAIRMAN. They have no objection to how much socialism there is, provided it is something that neither corporations nor individuals, banks, nor anybody else, can make any money out of. Here is the Panama Canal, that cost the people of the United States \$400,000,000, and there is no prospect that they will ever get a cent of it back, or even the interest on it, except through the small amount of tolls that are paid; and yet they fought here vigorously to give free service to American coastwise shipowners through that tax-paid-for facility. It is nothing but a transportation facility, so far as traffic from coast to coast is concerned. Now, the people of the United States, as I take it, are entitled to what is called public-utility service—and transportation is one of them—at the cost of rendering that service, whether either millionaire or pauper makes one dime of profit out of it.

Mr. HAMILTON. You want to tax the farmers down in Tennessee to run a meat market in New York?

The CHAIRMAN. Nobody has said one word about giving a free market. You keep on talking about the farmers of Tennessee, when you know there isn't the slightest probability of their having to pay one cent of it.

Mr. HAMILTON. I know there isn't, because your theory is not likely to be put into law.

The CHAIRMAN. All we want to do is to give the man who lives in Birmingham, Ala., the best possible opportunity to market his product; and it does not matter whether it is done by the Government of the United States, the State of New York, or the city of New York, just so it is done; but we find that these gentlemen who are

making hundreds of millions of dollars can buy up and do buy up and hold in exclusive possession the present market facilities to such an extent that the Alabama packer can't market his products there profitably and reasonably; and yet we want to develop all, the whole country, in every community, as well as one big city where the the big packers can afford to pay for facilities.

Mr. HAMILTON. You mean to say that the witness has said that the independent packers haven't a market?

The CHAIRMAN. He is an independent; and he can't get it.

Mr. UNGERMAN. There is only—I want to be right about that—there is only one independent packer at the Fourteenth Street Market. That is the Cincinnati Abattoir. That is one. That is the only one.

The CHAIRMAN. People might just as well speak out from the heart, because the world is not going to be mistaken in what is really in the heart.

Mr. HAMILTON. You wouldn't dare to advocate this proposition to the farmers of Tennessee, Mr. Chairman.

The CHAIRMAN. The farmers of Tennessee have got a great deal more sense than you give them credit for. But what I have asked Mr. Ungerman I mean in all seriousness and I want it to stay in the record. That is where it belongs. I have asked him pertinent questions as to his own testimony; I have commented on it, and I mean every word of it. I don't care to ask any further questions, because you have made yourself very clear, it seems to me, and anybody that reads your testimony will see exactly what you mean. I want to thank you very much for coming 1,000 miles here to give us this opportunity to hear you.

Mr. HAMILTON. Wasn't the Panama Canal, by the way, constructed partly as a means of defense for our coasts and partly as a war measure?

The CHAIRMAN. It was for all uses to which it can be put.

Mr. HAMILTON. Yes; but you use it to illustrate your contention in favor of a meat market in New York.

The CHAIRMAN. No; I said coastwise vessels. The coastwise vessel owners wanted free use of it, although they got all the profit there was in it by giving them a shorter route.

Mr. HAMILTON. Well, I will stand by what you said so far as the record is concerned.

The CHAIRMAN. We, the people, have as much right to go to New York and sell what we have got to sell as the people in New York have a right to purchase it; but without an opportunity we can't do it, and it is not a local matter at all.

Mr. UNGERMAN. No; it is not a local matter. The Alabama packer is not alone; it is every independent packer in the United States.

The CHAIRMAN. And every community in the United States.

Mr. UNGERMAN. Not that every one would go there, but a lot of them would.

Mr. HAMILTON. Well, I want to say that I want to see your business grow and expand in the South and the business of all men engaged in the packing business for the encouragement of the meat industry in the South, and we are all interested, but I am not willing to tax the average man throughout the country for putting up a meat market in New York City.

Mr. WINSLOW. I move that we adjourn until Monday morning at 10.30, Mr. Chairman.

The CHAIRMAN. The motion is carried.

(Whereupon, at 4 o'clock p. m., the committee adjourned until 10.30 o'clock a. m., Monday, February 10, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Monday, February 10, 1919.

The committee met at 10.30 o'clock a. m. pursuant to adjournment on Friday, Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order. Is Mr. Hall, of the Department of Agriculture, here?

Mr. HALL. Yes, sir.

The CHAIRMAN. I believe the Secretary of Agriculture directed you to have some one here to talk to us about the marketing features of this bill. I do not know whether it is your purpose to make reply to any statements made by persons who have appeared before the committee or not.

Mr. HALL. I have not been present here, but would be——

The CHAIRMAN (interposing). There have been some statements made in the way of reflections upon the Department of Agriculture.

Mr. HALL. I would be glad to answer questions on that.

The CHAIRMAN. I do not want to ask for any such action, but it is more a question as to whether the Department of Agriculture wants to say anything or not. I suppose they get a copy of the stenographic report down there so they may keep up with our hearings. But the Department of Agriculture was called on by this committee to send a representative here to give us such information as the committee might want in regard to the marketing features of the bill.

Mr. Esch, you made the motion for some representative of the Department of Agriculture to appear before the committee. What was in your mind?

Mr. Esch. In reference to the operation of refrigerator cars and the matter of marketing, and possibly the retail end of the meat business.

The CHAIRMAN. One or more packers have stated, in substance, that with the cooperation of the Department of Agriculture, under the powers it now has, much might be done to prevent the evils, if any there are, by doing something along that line. I do not recall just what was suggested.

Mr. Esch. The President called upon the Department of Agriculture to cooperate with the Federal Trade Commission in regard to its inquiry, and whether that matter was left to the Bureau of Markets or to the Bureau of Farm Management I do not know, but Mr. Hall would know better than I.

The CHAIRMAN. There have been one or two representatives of the Department of Agriculture here several times, and I suppose they are familiar with so much of the bill or with so much of the hearings that we have held as bear upon the functions of the Department of Agriculture with reference to the things complained of.

So, then, Mr. Hall, you may go ahead and make your statement in chief as you may see proper to make it, and then the members of the committee will ask you some questions.

Mr. SANDERS. I suggest that Mr. Hall tell the committee what his position is.

STATEMENT OF MR. LOUIS D. HALL, SPECIALIST IN CHARGE MARKETING OF LIVE STOCK AND MEATS, AND ACTING IN CHARGE OF STOCK YARDS SUPERVISION, BUREAU OF MARKETS, DEPARTMENT OF AGRICULTURE.

Mr. HALL. Mr. Chairman and gentlemen of the committee, my title is specialist in charge marketing live stock and meats, and acting in charge of stock yards supervision, Bureau of Markets, Department of Agriculture.

The CHAIRMAN. Your leading statement will be in that direction, if not wholly confined to it, as I understand, but that will be the definite line of information that you will desire to give to the committee?

Mr. HALL. Yes, sir.

The CHAIRMAN. We will be very glad to have it. You may proceed.

Mr. HALL. Mr. Chairman and gentlemen of the committee, if you please, I should like to give the committee a general view of the whole problem of marketing live stock and distribution of meats as viewed from the standpoint of the Department of Agriculture.

It has occurred to me since receiving the invitation to speak to the committee that you must have heard a large amount of rather varied testimony from different angles, from different individuals. You doubtless have heard a great deal of detail, and I thought it might be most helpful of anything I could do or say to undertake to put together for you in condensed form a summary of the essential features of the problem of marketing live stock as we see it in the Bureau of Markets.

If you will pardon a personal reference, I would like to begin by saying that for the past 15 years I have devoted my entire time to the study and investigation of problems pertaining to the production and marketing of live stock, and particularly problems pertaining to the marketing of live stock and the distribution of meats. All my life previously to the past period of 15 years I was engaged in the practical business of producing and marketing live stock.

Beginning in 1914, when the Bureau of Markets took up the problem of marketing live stock, I should like to follow on through to the present time and tell you briefly what we have done.

The CHAIRMAN. Proceed.

Mr. HALL. Our work was taken up in the first place under the auspices of the committee on the meat situation, which was appointed by Secretary Houston in 1913. The scope of the work of that committee was the determination of the essential facts in the meat situation as it then existed, to find out what was wrong and what remedies were needed to correct the difficulties. In the spring of 1914, at which time I assumed my connection with the Bureau of Markets, we undertook a rather comprehensive investigation of the methods and the cost of marketing live stock in the United States. We were asked to submit our report by the 1st of January, 1915, so that only seven months remained to us for that investigation, and a limited amount of money was available, and only three technical investigators were provided for the work; consequently, only a very superficial investigation could be made.

But the report was compiled and submitted, and was published in 1916, together with four other parts of a general report on the meat

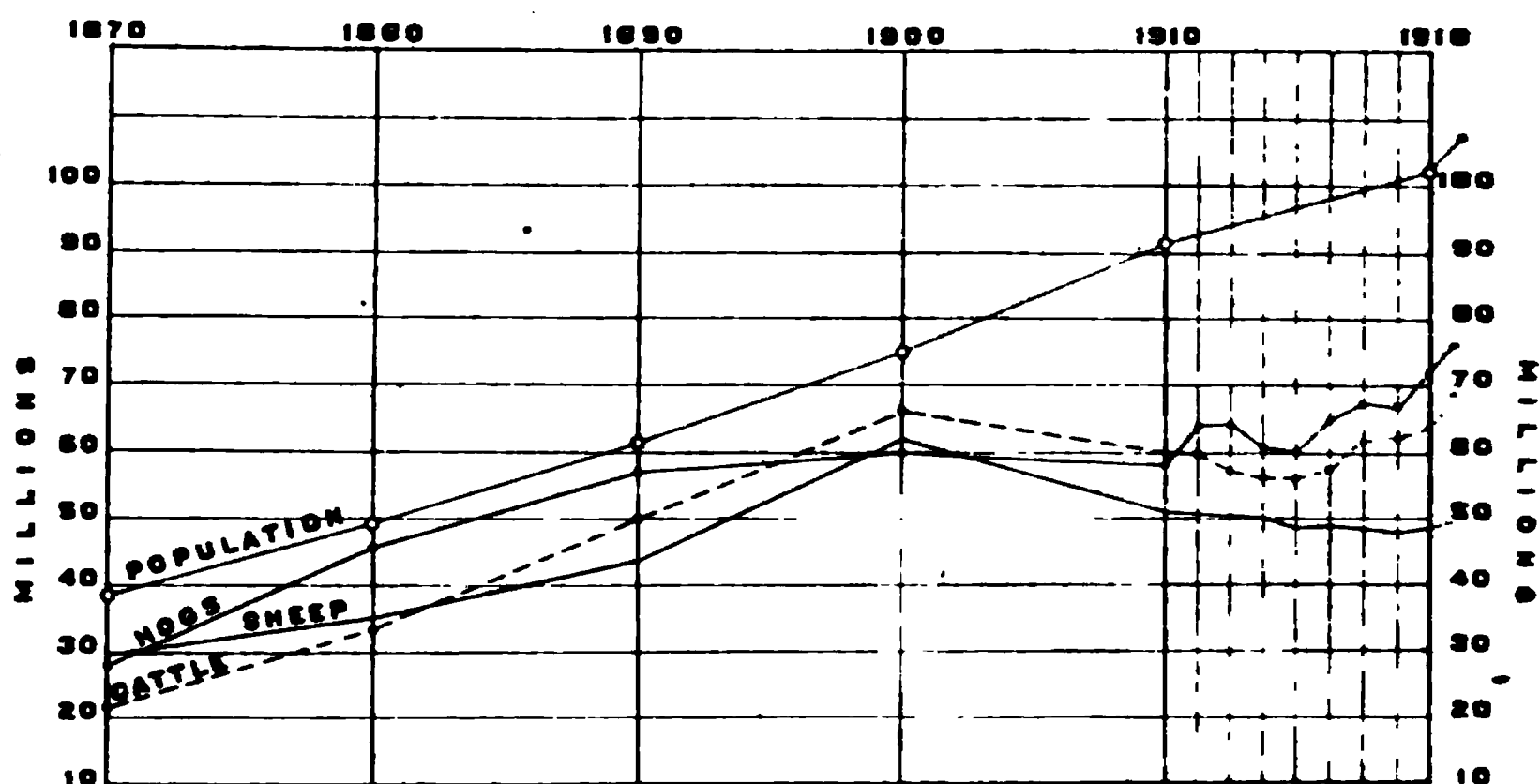
situation. Part I contained statistics of the industry for the entire world; Part II contained data on cost of production of cattle in western range States; Part III considered the cost of producing cattle in the corn-belt States; and Part IV questions relating to utilization of foodstuffs in the production of live stock. Part V covered the cost of marketing live stock and distribution of meats.

Part V is known as report No. 113, office of the Secretary of Agriculture, to which I am glad to refer you for any details. I shall not have the time to touch upon here with reference to the report of the committee.

The Bureau of Markets also held a hearing in Chicago in November, 1915, for the purpose of further developing the facts as they existed at that time—hearing complaints and discussing remedies with representatives of the producers, the railroads, the stockyards, the packers, the retailers, the commission men, and every other interest, of course including the consumer. The results of that hearing are published as House of Representatives Document No. 855, Sixty-fourth Congress, first session, to which I am also glad to refer you.

The general conclusions resulting from these investigations and the hearings may be summed up under four or five general heads, which I will mention very briefly.

In the first place, there was a decided shortage of meat animals in this country compared with population. I think I will just touch briefly on each of these points as I pass them. I want to show you a chart, which brings out in a rough general way what has happened during the last 50 years with reference to live stock and population. When I refer to live stock I refer to meat animals.



You will see from this chart that up to 1900 the general tendency was for population and live-stock production to increase in about the same ratio, so that the supply of live stock or of meats was about commensurate with the demand.

Mr. DECKER. Is the top line of that chart the line of population?

Mr. HALL. Yes, sir; the top line is population, and the other three lines are hogs, sheep, and cattle.

The CHAIRMAN. You may continue.

Mr. HALL. Since 1900, while the population has been increasing at about a uniform ratio, the general tendency has been for live stock to

remain at a standstill. And that is the main reason for the high price of beefsteak at this time, no doubt. The question at once arises what is the reason for that discrepancy between increase of population and production of live stock; or, rather, what are the reasons, for it would be idle to say that there is any one reason for that condition, in my opinion.

Anyone who has made a study of economics, even slightly, will have little patience with any theory that undertakes to hold any one condition responsible for that discrepancy. It is true that the breaking up of the western ranges, and the tendency away from the landholding farming system to a system of landlordism, under which the tenant farmer is very seldom an extensive live-stock farmer. I say, the breaking up of the ranges and the tendency toward landlordism, together with the tendency for population to gravitate from the country into the city, has had something to do with the fact that the production of live stock has gone along on a level while population has been rising.

But over and above those conditions, judging from the correspondence that has been going over my desk for the past 15 years, and judging from my observation of the markets and the producing districts, and from conferences with farmers and stockmen, and from experience in handling live stock constantly until 5 years ago, when I came to Washington, I want to say to you gentlemen of the committee that I think the outstanding reason for the discrepancy between these two sets of curves I have shown you on the chart is that the average farmer thinks he gets a better price for his grain when sold as grain than when turned into live stock and marketed as live stock; and that he gets a fairer price for his dairy products and other farm products than he gets for his meat animals.

So we find in Iowa to-day the greatest live-stock producing State in the country, that cattle feeding has been more than cut in two during the past few years.

And other lines of meat production, as shown by the curves on this chart, have been virtually at a standstill, although there is some tendency to come back to normal at this time.

In my judgment the lack of confidence or lack of satisfaction with the prices that the grower of meat animals has received, is responsible for the fact that he has withdrawn from live-stock production and gone into grain production, dairying, etc.

Now, gentlemen of the committee, that raises the question: What is the reason for the lack of confidence in the live-stock markets?

There are five general reasons that I would like to mention to you briefly: First, lack of competition in the stockyards, due to the fact that the packing industry is very largely controlled by five large concerns, and the average stockman has concluded that he is at the mercy of the buyer when he gets to the market.

In the second place, centralization of ownership and control of market facilities. The average stockman is entirely dissatisfied with any system whereby the parties who buy the live stock are the owners of the facilities through which his live stock is marketed. He would rather weigh his stock on a neutral scale than to weigh it on the scale of the buyer without supervision. We find that more than 30 of the large stockyards of the country are owned by the group of five packers, and that the most of the other stockyards are more or less controlled by them.

The third general difficulty is the frequent and wide fluctuation in market prices of live stock. The farmer can not understand why hogs should decline \$1 or \$2 or \$3 per hundredweight in one, two, or three days. He can only guess that there must be some manipulation, some artificial influence operating on the price.

In the fourth place, unequal movement of live stock to the markets has caused a great deal of this trouble. It is only recently that we have been marketing 85 per cent of our cattle that went to Chicago on two days of the week, Mondays and Wednesday. Farmers have been unable to understand why they could not get into the market on any day they wanted to come in, and reached the conclusion that there was some collusion between the railroads, the market interests, and the packing interests.

Then, there never has been available to the farmer and the stockman any official market information on which he could rely. He has known, a great many farmers have known, that many market papers are owned by the packers; and that has caused just as much dissatisfaction as to have the scales over which his stock is weighed owned by the packers. Whether or not quotations were accurate, the farmer has not been able to judge, but the mere fact that quotations were given out by interested parties has had a very unsalutary effect upon his mind.

And, finally, the unfair market practices which every farmer who has marketed stock, or nearly every farmer, at least, has seen and heard of practices on the part of the packers and on the part of the speculators and on the part of the commission men and on the part of the stockyards companies; unfair advantages that have been taken of him, or of his neighbors, have during the course of the years had a cumulative effect upon his mind, and he has made up his mind, as you see illustrated by this chart, that he had better raise grain than feed cattle and ship them in and be at the mercy of the market.

That, gentlemen of the committee, is a very general and brief outline of the problem of the marketing of live stock as we see it in the Bureau of Markets. Now, just a few words about the remedies required. The remedies, as we see them, can be classified under three heads:

First, supervision; second, marketing information; and third, organization and cooperation.

By supervision, I mean an organization with representatives in each of these large markets and constantly in contact with the markets, collecting information from each of the market interests as may be necessary to see what is going on in every phase of the business every day; competent, practical men representing the United States Government, stationed in each market, to receive complaints from shippers at the time the cause exists and ready to apply the remedy immediately instead of going through a long drawn-out investigation; and a sufficiently manned and equipped central office to gather daily and weekly and monthly, as the case may be, information that is necessary to throw light on the current operations of the packing industry, the stockyards, the commission business, and so on. I will speak of that a little more in detail a few minutes later, if you please. So much for the first remedy, supervision. I will tell you further along what has been done in the way of a beginning along that line.

As to the second proposition that I mentioned, market information as a general remedy: In my judgment, turning the spotlight of publicity onto the markets, even if no authority went with it at all, and if it were merely a gathering and publishing every day of market prices, supplies, movements, and all that goes on in the markets, would cure about 50 per cent of the troubles that exist. I do not think that is enough to cure them all, but I think it is the most important point at which to begin with the correction of market evils, because you can not correct an evil unless you know just what it is.

In the third place, organization of the industry, and especially of the live-stock producing interests, is necessary in order to realize the full effect of any remedy that may be adopted. It seems to me it is axiomatic that you can not hope to legislate the packing industry, the market interest, the stockyards, and the other intermediaries—I say you can not hope to legislate all of these interests into honesty, and can not regulate all of them into righteousness, and therefore I think no matter how far we may go with supervision and distribution of current market information, we need a better organization of the live-stock industry, and better cooperation, and better contact between the live-stock industry on the one hand and the Government on the other, and the various classes of distributors as well.

So I would like to sum up the three classes of remedies required under the heads named—supervision or regulation, as you may be pleased to call it, and I am pleased to call it supervision, information, and cooperation.

Now, if you will permit me, I would like to give you a brief statement of what has been done along these lines. I will take the second heading first—market information. I named it second because it is second in importance, but it has been applied first in chronological order, because it was naturally fundamental to the other. In 1916, \$65,000 was appropriated by Congress, under an amendment to the Agricultural appropriation bill, for the purpose of collecting and distributing current market information relative to meat animals, and meats, and by-products.

Immediately the Bureau of Markets set to work to organize a market-information service, and it has been in operation ever since, and has been growing until the present time. I think it is exceedingly important that it should continue to grow, notwithstanding the fact that the appropriation, as it stands now in the Agricultural appropriation bill for this year, will be reduced by some \$200,000 if the bill passes as it stands to-day.

This information service consists, besides the offices here in Washington, of 17 branch offices, extending from Boston, New York, Philadelphia, and Washington on the east, to Portland, San Francisco, and Los Angeles on the west, with offices in Chicago, and, of course, at other principal stockyards centers, all connected by a leased-wire system, and designed to give to the trade every hour in the day information it needs for the most intelligent and economical conduct of this business.

In undertaking the organization of this service, with only \$65,000 to expend, we were very anxious to begin where the service was most needed. We found that some information was available from day

to day on the live-stock markets; that live-stock market papers were published at the most important stockyards centers, but we found that almost no information whatever was available as to the meat trade. The result was that commission men selling cattle in the Chicago stockyards knew little or nothing as to whether cattle ought to be higher, or lower, or steady on that day based upon the demand for meats at the principal meat-market centers of the country, or principal meat-consuming centers. The packer had that information every hour of the day over his own leased wire, but the commission man was entirely in the dark.

After advising with the various interests and especially with stockmen who were most interested in a correction of those conditions, and with the commission men, and the retailers, and the packers, we concluded that the most important service we could render would be to put men in the eastern meat consuming and distributing centers so as to report every day on supply and demand, and prices of fresh meats in those markets.

The CHAIRMAN. Mr. Hall, you are giving us information in regard to this bill as seen from the standpoint of your department.

Mr. HALL. Yes, sir. I am just trying to give you a brief idea of the application of a remedy to the situation, and, as I was saying, the most important class of information that seemed to be necessary when we started this service two years ago was information on the meat trade, which information the packers had a monopoly of, while the sellers had no information at all. So we put expert meatmen at New York and Boston, and Philadelphia and Washington, and later on at Pittsburgh, and still later on at San Francisco and Los Angeles to report every morning the supply and demand and prices for fresh meats in those cities.

We leased telegraph wires so that that information could be flashed immediately to the stockyards centers, therefore giving commission men, at Chicago for instance, at 8 o'clock in the morning, exact and complete and authentic official information as to the state of the beef market in the principal consuming centers. In that way, the commission man was in a position to deal with the packer on a better footing. He knew as much as the packer did, and even more than the packer ever knew before, as to the actual demand for beef cattle, which demand, of course, is based upon the demand for beef.

Since starting that service, in February, 1917, we have received many voluntary expressions from the commission men who sell stockmen's consignments in the stockyards, stating that our information service has saved many thousands of dollars on the consignments that have come to them to sell; and, gentlemen of the committee, that is not merely a matter of saving money to the shippers, but a matter of stabilizing live-stock markets.

I remarked a few minutes ago on the sudden fluctuations in prices for stock in the stockyards, and that it has been one of the greatest causes of complaint, and that has been due partly to lack of information, and further, possibly, has been due to artificial manipulation. At any rate, turning on the light and showing the Chicago live-stock trade this morning what the New York fresh-meat market is this morning, and also the fresh-meat markets in Boston and Philadelphia and other places, certainly has a very strong effect

upon stabilizing the live-stock market in Chicago, Kansas City, St. Louis, Fort Worth, Denver, and so on.

Then, on the 1st of last June, the bureau took over all telegraphic reports on the live-stock markets emanating at Chicago. We found that the press associations and the telegraph companies that were sending out this information at different intervals during the day were getting their information entirely from two or three men, and on further examination it turned out that those men were partly in the employ of the packers. So, it is quite obvious to anyone who understands that situation that it was one of the weak spots in the market situation. It could hardly be expected that a man who was interested in a particular market would send out telegraphic information on that market which would be as unbiased as in the case of a neutral party, and especially one like Uncle Sam, who is equally interested in the producer and the consumer.

As a matter of fact we found out after taking over that telegraphic report service last June that our quotations were running considerably higher than those that had been sent out before. Now, there are various reasons that might be given why the previous quotations were lower than ours. I can illustrate one or two of them: Commission men who sell cattle for the farmer naturally do not want quotations to look too high, because that makes sales look correspondingly low. So, the market paper which serves commission men, and is largely dependent upon commission men for subscriptions and support—I say, the market paper serving primarily commission men—is bound to give a very conservative quotation. Then we found that there were small packers, and some large packers, too, who were buying stock shipped directly from the farmers under a system whereby the packer who received the stock marked the price on receipt of the stock. Naturally those packers wanted the market quoted as low as possible so that they could mark the tickets accordingly—they presumably would mark them according to the market as quoted, of course, but the lower the quotation the more favorable the price to the packer.

I may say that we have had some complaint from some of the interests, commission men, packers, and others, because our closing quotation at Chicago has been on an average 10 or 15 cents per hundredweight higher than unofficial quotations. And it is quite obvious, I think, that the correction of those erroneous quotations, figuring them at 10 cents or 15 cents a hundredweight on all of the stock that comes into Chicago, is quite a factor, and we have estimated that it means ten million to twenty million dollars a year going into the pockets of the farmers that formerly went into the pockets of the packers.

We are just now beginning the same kind of service in Kansas City and wish to extend it, and think it ought to be extended, to every one of the large live-stock markets as rapidly as possible.

Another advantage of that service is that live stock will be quoted on the same basis at the different markets. For instance, at the present time a steer that is quoted as a choice steer at Kansas City might be quoted only as a good steer according to the quotations at Chicago. A prime steer at Fort Worth, Tex., very likely wouldn't be considered more than a good steer at Chicago; and it is highly

important that a standard price basis be established, so that quotations will mean something uniform at the different markets.

That was the first problem we met in undertaking to quote the meat trade. There was no standard about it. It was entirely haphazard—a sort of horse trade, you might say—and our first job was to establish some definitions, so that in referring to choice beef we might be certain that the same grade of beef was referred to from day to day and as between one city and another. We are never going to make very much progress in the correction of meat-market conditions until some such standards are thoroughly worked out and legalized by Congress, just as was done in connection with cotton standards and grain standards and other standards which are now being administered by the Bureau of Markets and which have been worked out and legalized.

Besides the meat reports and live-stock reports which I have just mentioned, both of which are daily telegraphic reports, distributed by means of a transcontinental service, utilizing about 15,000 miles of leased wire, we get out a weekly review of trade conditions, a weekly summary of wholesale prices of fresh meat, and another detailed telegraphic report, which I intended to mention before, called a live-stock loading report. This report shows the number of cars of live stock—horses, cattle, sheep, hogs, and mixed stock—loaded on the railroads of the United States every day. Reports are wired in to the Bureau of Markets by all railroad division superintendents each night and compiled in our Chicago office and are ready to be distributed by 5 o'clock in the morning, so that the trade at each market knows exactly what is loaded and rolling toward that market; and not only that, but each report shows the State from which this live stock is coming. You can readily see the value of a report of live stock loaded throughout the country. Suppose that the reports received at Chicago for the 24 hours ending at midnight show, among other shipments, 200 cars of live stock loaded in Montana. Figuring that it takes about five days to get that live stock into Chicago, it benefits the stockmen near the market there by indicating when to ship their stuff, for they will know what is already shipped and on the way. It also gives the stockyard people at Chicago knowledge of what is coming and they can get ready for it. It is a good deal like the weather report, which tells you that a cold wave is coming and you have time to prepare for it. These loading reports have been the means of evening up receipts of live stock in the markets. As I told you before, 85 per cent of the live stock formerly came in on Mondays and Wednesdays; but by means of these telegraphic reports from the railroads it has been possible to establish a zone system of shipping, so that we now have only 50 per cent of the live stock coming in on two days, and the remainder are distributed over the other four market days of the week.

That is going to help improve market conditions and remove the dissatisfaction that existed in the minds of the shipper. And it helps not only the shippers but the stockyards. It helps them to take care of their labor better, to have the work distributed over five days instead of two days. It helps the railroads and helps the packers, and everybody else concerned.

Then, we get out a report on live stock received at all the stockyards. Until recently the daily trading in live stock at Chicago and

other large centers has been based very largely on estimated receipts of six or seven markets, and seldom have bulletins shown over 10 or a dozen markets. Our report shows receipts at about 60 stockyards. There, again, is the idea to stabilize market conditions by making available all of the information and not merely a little cross section of it.

Then, we get out a report of the amount of frozen meats in cold storage, which is, of course, a sort of balance wheel on the market and yet concerning which no information was available before these reports were started. You have recently seen some sensational reports in the newspapers which have been based on a surprisingly large amount of frozen meats in storage as shown by our figures. Incidentally, we have extended that service to cover frozen poultry and eggs, and we are also reporting stocks of wool on hand at the end of each quarter, and the amount of wool consumed by months by manufacturers, and the active and idle wool machinery, all of which is of very practical value to sheepmen as a guide in their sheep producing and marketing operations.

I should like to go on for an hour or two and just talk to you about our market information service, and show you some specific instances of conditions which it has tended to correct, but in the time that is available that will be impossible, and I shall have to leave it with merely an invitation to you to familiarize yourselves as far as you please with our daily reports and our weekly and monthly reports, and I want to assure you that we will welcome suggestions for improving this marketing service.

The CHAIRMAN. Mr. Hall, I will say that the stenographic report of your hearing will be sent to you, and you can add to your hearing whatever you may desire that you do not have time to put in here.

Mr. HALL. Thank you.

I might just mention a feature or two that might interest you. We send out our live-stock reports from Chicago by wire at 6 o'clock and 7 o'clock and at different intervals throughout the day, starting about 5 o'clock in the morning and closing about 2 o'clock or whenever the market closes. You will notice in the market report, if you pick up your paper here in Washington, that the report is headed, "United States Bureau of Markets live-stock report." The same thing is true of Chicago or other newspapers. That news goes out like the baseball news, over the United Press and Associated Press services, and the Western Union and the Postal Telegraph companies have what they call a C N D service, furnished at so much per month, one, two, or three wires per day, whatever you choose to subscribe for. We also mail these reports to over 20,000 people from our different branch offices. Our telegraphic reports we figure reach 5,000,000 people a day, at least, and that is a very conservative estimate.

I would like to insert in the record a number of letters I have here from stockmen and commission men, and stockyard managers, and others, showing just what the value of that service has been. One letter is from the manager of the Associated Press.

The CHAIRMAN. You will have that privilege.

Mr. HALL. Thank you.

(The letter referred to by the witness are as follows:)

-Elbert S. Brigham, Commissioner of Agriculture, State of Vermont, in speaking of the market reports furnished to him by the branch office of Boston, says: "The result is that our receipts from live stock sold will be four times the receipts of the year previous. I estimate that this service has been worth at least \$12,000 to me as a State official. I hope that this service will be accordingly enlarged from time to time as Congress appropriates more money for this purpose. Ignorance on the part of the producer has enabled speculators to profit greatly at their expense, and your news service will, better than any other one thing, enable them to obtain a fair knowledge of current prices.

Prof. Rusk, of the University of Illinois, in speaking of the live-stock market reporting service of the Bureau of Markets at Chicago, said: "I have noticed a decided change for the better in the telegraphic reports of the Chicago live-stock market since the Bureau of Markets began supplying the information for these wires. Some of the papers published in Champaign, Ill., and surrounding towns have, for a long time, carried what purported to be local market quotations of live stock supplied by a local buyer and shipper. As it suited his individual purposes best to have these quotations low, he never failed to see to it that the quotations he furnished the press were much lower than the market justified. When the papers started carrying Chicago quotations as furnished by the Bureau of Markets, however, the disparity between these quotations and his own local quotations was so wide as to prompt him to speedily revise his quotations radically upward. He no longer has the opportunity to depress the local market to such a marked extent as formerly. Producers in that section are the beneficiaries of these improved conditions and the Bureau of Markets deserves the credit."

Mr. M. L. McClue, vice president of the Drumm Commission Co., of Kansas City, Mo., said: "Until your bureau furnished us this information, the producer and marketer of live stock were groping in the dark in regard to the prices and conditions of the eastern meat markets, and supply and demand. Now, with this information, we feel that we are almost on an equal footing with the packer, as we find that your reports are reliable and can be depended upon. The fact that the commission man, who sells the live stock for the producer on the market, has this information in his possession prevents the buyers for the packers from jockeying the market. This service to the people is new, but it has passed the experimental age, and is now regarded as a necessity."

Mr. C. H. Harin, representative of Clay, Robinson & Co., at the Kansas City market, says: "The information sent in through your Rocky Ford office has enabled us to keep in closer touch with the available supply in that district and when they will be moving to market better than we have ever been able to do before. The daily reports giving the condition of the dressed meat markets in the East are read with interest by shippers as well as by the commission men engaged in selling live stock here at the market."

Mr. J. W. Murphy, an independent hog trader on the Omaha live stock market said, with reference to the live-stock loading report: "I'm mighty glad to get that information, and I want to thank you for it. It keeps me posted on where the hogs are moving all over the country, and that means a lot of money to me."

Mr. F. M. Simpson, manager of the American Live Stock Commission Co., at the Denver yards, stated: "By knowing conditions of the wholesale meat trade in the East, we were enabled on a recent market to get 50 cents per hundred-weight more for cattle than we otherwise would have received."

Mr. Jonathon K. Rosson, president and general manager of the Campbell & Rosson Live Stock Commission Co., of Fort Worth, Tex., said: "I feel that this report should be of considerable benefit to the live-stock shippers and producers, through their commission firms, as it puts us in position to know the condition of the beef market in the East, and in consequence, we are in position to know whether or not the reports we are getting from the packer buyers with reference to the eastern beef market are correct or not. On Monday they reported a demoralized veal market in the East, while your report showed, in reality, a firm, strong market with light receipts and a good outlet."

Arthur Hill, of the W. M. Leitch Sheep Commission Co., Kansas City, Mo., says: "We would like to have you know that we appreciate the reports given us in regard to the sheep situation. We probably use the eastern dressed-meat report more than anything else. That gives us a line on the situation daily, and, of course, has an effect on the way we handle the selling end of the sheep

house. We copy these reports very often in our market letter which circulates through the Southwest, and we know it has been read with interest by our customers. The report of sheep on feed and conditions in the Arkansas Valley have been used in the same way, and we find them to be accurate."

Mr. A. E. Rogers, head salesman of the Omaha Live Stock Commission Co., made the following statement regarding the reports of the Bureau of Markets on eastern meat-trade conditions: "The packers came out and tried to buy our cattle cheaper and would have got away with at least 10 or 15 cents cut if we hadn't had these reports that showed that meat was strong in the East. I told some of the other boys when I saw this bulletin that if we all keep a stiff upper lip we could hold the market up, and we did."

Mr. A. F. Stryker, secretary-traffic manager of the South Omaha Live Stock Exchange, stated: "I was very much interested yesterday to learn from one of our commission men they were using these bulletins. A sheep salesman said to me he was glad to have the bulletin giving the condition of the mutton market in Boston yesterday morning. One of the packers' buyers said there was no demand for mutton in the East. Your morning bulletin had shown an active demand and a good market. The sheep salesman was able to show the buyer he knew better."

Mr. W. P. Neff, vice president and editor of the Daily Drovers Telegram, Kansas City, Mo., said: "The Drovers Telegram believes the Bureau of Markets is rendering valuable aid to the live-stock interests through the market data compiled for their benefit, and I take this opportunity to commend those efforts. The daily reports of the eastern fresh-meat markets are particularly valuable to the stockmen and the feeder, as well as to the commission men and salesmen. The data on stock loadings serves no purpose so far as the man on the farm is concerned, but it is valuable to the stockyards habitues, and would be very much more valuable to the commission men and salesmen if it were available the day preceding arrival at market. The main criticism on all Government information has been its tardy dissemination, but the Bureau of Markets is working along the right lines. Market information must be available on the minute or it is a waste of effort."

Mr. F. Witherspoon, jr., treasurer of the Witherspoon-McMullen Live Stock Commission Co., of Kansas City, says: "Although I have not had the pleasure of seeing you for the last year, I want to take this occasion to compliment your department for the very efficient service rendered here at this market. The bulletins issued have been of great benefit to our customers and I have heard many expressions of appreciation from them."

Mr. Charles S. Michael, grain and live-stock editor of the Illinois Telegraph News Co., says: "After a careful investigation we take pleasure in submitting the following, which we will be glad to confirm to any Government official, should they so desire, as it is based on facts as we know them. The Associated Press, Chicago, handles only the Bureau of Markets live-stock reports and serves about 1,135 papers, both morning and evening, of which about 400 get condensed reports. The Associated Press is furnished the report by the Illinois Telegraph News Co., via ticker, and sends out all flashes, and the opening and closing markets. The opening at least goes out in full. The International News Service also uses the bureau's reports exclusively, serving approximately 200 papers, of which 125 papers get condensed market reports. The United Press serves approximately 650 papers, of which probably 500 secure condensed reports. These three press associations are the only ones of importance in Chicago, and it is safe to say that with the exception of some of the leading papers in the very largest cities, practically all the live-stock reports used by the newspapers are made up from the Bureau of Markets returns. In this connection it must be noted that it frequently happens that the various papers may rewrite a press association "lead," but use the prices as sent. As far as we can determine, the newspapers use practically exclusively the Bureau of Markets reports. There are two ticker services in Chicago which furnish the information on live stock for the big private-wire houses which operate out of this market, of which the Illinois Telegraph Co. is the largest. Through cooperation with the Bureau of Markets both these ticker companies send out, exclusively, the reports compiled by your bureau, and handle no news on the live-stock markets except such as you send out. The private-wire firms cover practically all the leading points in the grain belt, both West and Northwest, and reach from coast to coast. As far as we have been able to find out, and this covers a period of some months, no report

other than the Bureau of Markets is sent out over any private wire operated by a grain or stock firm. The branch offices of the various commission houses in the smaller towns disseminate the information as to the live-stock markets via phone, either calling up their customers or having them call up. I believe that some of the farmers' telephone systems make a practice of sending out this kind of information after having obtained it from the branch offices of the wire houses. In this manner there is no reason to believe that anyone interested in the live-stock markets can not secure the information sent out by your bureau without the slightest trouble. In sending out the live-stock reports the private-wire houses give the information the right of way, putting it ahead of grain-market news to many. This results in the quick distribution of the news, and the papers are used by those interested to confirm the reports and also get the gossip as to any fresh news developments. It is safe to say that the only telegraphic news on the live-stock markets that gets to the country is furnished by your bureau. In this connection I might add that the Illinois Telegraph News Co. furnishes practically exclusively all private wires, the Chicago Board of Trade, and the Associated Press with the report, and they depend upon us to secure it for them. We wish to thank you and your assistants for the cooperation we have secured for the excellent manner in which the live-stock report is relayed to us in order that it may receive the widest distribution. Mr. G. D. Rose, the manager of the Illinois Telegraph News Co., joins me in the thanks. Until the Bureau of Markets ceases business, which will probably never be, this company will use the bureau reports only."

Mr. HALL. Another point regarding this information if I may: The Department has a very large organization, covering the entire country, with a State agent in each of about 35 States, a State marketing agent, and district agents, and county agents, who are primarily engaged in production problems and yet who form a machine through which this market information can be supplied to farmers directly, so that there is no reason why any farmer in the United States should not have access to it every day of the year.

Now, this work I have been speaking of has all been done under the provisions of the agricultural appropriation bill, which has continued and enlarged the funds for this purpose since 1916, when first adopted.

Continuing somewhat in chronological order, as I have been trying to do, and coming down to a year ago, the President appointed a commission, consisting of the Secretary of Agriculture, the Secretary of Labor, the chairman of the Federal Trade Commission, the chairman of the United States Tariff Commission, and the Food Administrator, to go into the whole matter of national policies pertaining to the meat supply. That commission, which worked through a subcommission on which I had the honor to serve, went very fully into the consideration of the whole problem that you gentlemen are considering here, the evils and the difficulties and the remedies looking to the correction of the evils pertaining to the meat industry. In the Official Bulletin of May 31, 1918, you will find—

Mr. DOREMUS (interposing). Was this commission of the President appointed to make any investigation at all of the question whether the price charged to consumers for dressed meat bore a reasonable relation to the price paid for live stock?

Mr. HALL. No, sir; this committee was not an investigating committee. It was primarily a committee charged with formulating general policies, and it assembled no comprehensive data in a detailed way, but, of course, that general question was considered, and a recommendation looking to improved conditions in that respect was submitted.

Mr. DOREMUS. Do you know of any agency of the Government that has gone into the question whether the spread, as I will put it, between the price paid for live stock and the price paid by the consumer for fresh meat bear a reasonable relation to each other?

Mr. HALL. Yes, sir.

Mr. DOREMUS. Do you know of any agency of the Government that has gone into that?

Mr. HALL. Yes, sir. The bureau which I represent has assembled a great deal of data on that subject, and it has been published in Report No. 113 of the office of the Secretary of Agriculture. We traced from the producer to the consumer a considerable number of selected, typical lots of animals in order to find out exactly the cost of marketing at each step of the way; just how much of the consumer's dollar each intermediate interest gets. We found a great variation under different conditions. We found that cattle marketed through the central markets returned to the producer a larger percentage of the consumer's dollar than cattle marketed through the local butcher or through the small local packing house; that is, on the average. We found very considerable variations. We found that some of the small local packing houses are much more efficient than others. We found that some types of live stock can be handled from producer to consumer more economically than others. In short, we found so many variations owing to individual conditions, local variations, that it would be almost impossible to make any sweeping statement on that. But, generally speaking, the cost per pound of meat—for a dollar's worth of meat—chargeable to the cost of marketing is very much smaller than the average person is likely to imagine, and I do not anticipate that any changes we make in our methods of marketing, except as they may inspire confidence and increase production, are going to make any noticeable difference to the consumer, except with respect to economies in the retail distribution of meats, which, in my judgment, is one of the most wasteful and uneconomic features of our present system of marketing. On the other hand, to the producer certain distinct economies can be made, I believe, by correction of conditions at the stockyards centers. I think it very important that we find out how much water there is in the capital stock of some of these marketing facilities, on which dividends are being paid at the expense of the farmer. On stockyards, for instance, I think further light is needed, and further action is necessary in reference to the charges which the farmer pays at the stockyards.

Mr. DOREMUS. I will not interrupt you further just now, but may want to ask you some questions later.

Mr. HALL. I fear I have not given a very concise answer to your question, Mr. Congressman.

Mr. DOREMUS. That is all right, Mr. Hall.

Mr. HALL. I would like to sum it up, if I may, by saying that the spread between the price which the producer receives and the consumer pays, I should say, is not extremely unreasonable. But there are minor savings which can and ought to be made, in my judgment.

I think the great problem is the establishment of supervision and correction of the evils and the furnishing of information which will restore confidence in market conditions, and thereby increase the sup-

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ply of live stock, which, more than anything else, will ultimately bring the price of meat more nearly within the consumer's range.

Mr. ESCH. Does this report of the 31st of May, 1918, give the results of your recommendation?

Mr. HALL. It gives the recommendations of the President's meat commission; yes, sir.

Mr. ESCH. I suggest that that be incorporated as a part of your testimony.

Mr. HALL. Very good.

(The said report is as follows:)

The President has approved the recommendations of the committee which he appointed to report upon the policies to be pursued by the Government with regard to the meat and packing industry. The matter was raised by a letter from Mr. Hoover to the President on March 26. The committee making the report consisted of Secretary of Agriculture Houston, Secretary of Labor Wilson, chairman of the Tariff Commission, Dr. Taussig; Commissioner Fort, of the Federal Trade Commission; and Food Administrator Hoover.

TEXT OF THE RECOMMENDATIONS.

MAY 27. 1918.

MEMORANDUM.

Having examined the suggestions of the subcommittee, we make the following recommendations to the President with regard to meat policies:

REGULATION.

1. We recommend the continuation of regulation of the meat-packing industry by the Food Administration, and do not favor governmental operation of the industry unless it should be found impossible to enforce regulatory measures.

2. The auditing of the packers' bimonthly profit returns to the Food Administration and the installation of uniform bases of accounts by the Federal Trade Commission should proceed as already settled between the Federal Trade Commission and the Food Administration. The present regulation by the Food Administration as to the maximum profits should be continued to July 1. In the meantime the Federal Trade Commission should report upon the reasonableness of these maximums. If found reasonable they should continue in effect until further notice. If found unreasonable such maximums should be made effective as facts warrant.

REQUIREMENTS OF PACKERS.

3. The packers should be required to report wholesale prices received for meat products, and the transfer value of the principal by-products from their meat departments should be furnished by the packers to the Department of Agriculture for publication in their market reports as the department may require.

4. The reports showing the wholesale prices of food dealers, now being made to the Food Administration, which includes the wholesale prices made by packers' branch houses, should be given local publicity to consumers.

5. The stockyards should be placed under license and regulation by the Department of Agriculture, which should also establish a governmental system of animal grading under suitable regulations and methods of price reporting of actual transactions. Daily reports should be made on distribution and destinations of live stock, meats, and other products from principal packing points.

GOVERNMENT AND ALLIED PURCHASES.

The food-purchase board established last November by the Food Administrator and the Secretaries of War and the Navy, with the approval of the President, for the coordination of policies in purchases of official governmental agencies of certain food commodities, should extend its activities to the coordination of the purchase of packing-house products by all official agencies.

2. It must be recognized that the meat purchases thus coordinated through the food purchase board during periods of sparse marketing or during periods of extreme production broadly influence market levels in meat and in animals, and at such times as they do influence prices they should be made in accordance with economic conditions as they affect both producers and consumers, and at prices on one hand sufficiently stimulative to insure production at a point necessary to furnish supplies of meat during the war period, and, on the other hand, at such ranges as will prevent extortionate prices to the consumer. The packers' profits should be controlled so as to prevent excessive charges and so that the policy already declared by the President in cases where war buying dominates the market, that "we must make the prices to the public the same as the prices to the Government, and may be effectuated.

GENERAL.

1. The food act gives no regulatory powers with regard to retailers. It is desirable, however, that an investigation should be made of the conditions of the retail trade with view to determination of some constructive effort that may be made in retail distribution, and it is recommended that a committee should be created for thorough investigation of and recommendation upon the subject.

2. The private-owned cars of the packing industry should continue to be controlled by the Director General of Railroads.

The CHAIRMAN. I gather from what you have said that in this investigation you did not find that any of the people who handle meat between the cattle raiser and the ultimate consumer are getting an unreasonable profit.

Mr. HALL. I wouldn't want to say that, Mr. Congressman. That wasn't the function of this commission.

The CHAIRMAN. I understood you to say that.

Mr. HALL. No, sir. The President's meat commission that I am speaking of now did not go into that matter in detail, because the Federal Trade Commission's investigation was under way at that time. I would like to say, too, that the reason the former investigation which I referred to and which was conducted by the Department of Agriculture did not go more fully into that, or one of the reasons was, that we did not have authority to subpoena witnesses or require the production of books and papers, so we were badly handicapped.

Mr. ESCH. You think you ought to have that power now?

Mr. HALL. The Department of Agriculture does have that power now.

Mr. ESCH. That has been remedied.

Mr. HALL. The department ought to have that power. But I should say it ought not to conflict in any way with the powers of the Federal Trade Commission. There ought to be full cooperation, so that in such investigations as the Federal Trade Commission has recently made it would have a clear field, and the Department of Agriculture would merely cooperate in the conduct of such investigations.

In other words, our conception of our field in the Bureau of Markets is that we should deal with the normal and more technical and practical features of the industry as a current matter, while the Federal Trade Commission should be responsible for the investigation of abnormal and illegal and unwarranted conditions and practices.

Referring briefly to this report of the President's meat commission of last year, it was recommended, first, that the regulation of the packing industry by the Food Administration be continued; secondly, that the auditing of the packers' profit returns to the Food Adminis-

cies and the practices of the operations of those companies, just as any large corporation receives telegraphic reports at its central office every day, which enables the management to follow constantly the operation of its various branches. We are making a small beginning on that now at Chicago in connection with reports on the distribution of meats from the large packing plants to the eastern consuming centers, so as to be advised constantly regarding the movement of meats in order to prevent gluts at certain eastern centers and short runs at others, and numerous other details of that sort, which are necessary for any intelligent control of the packing industry.

In the annual report of the Secretary of Agriculture you will find a statement outlining the views of the department with regard to future control of live-stock markets and the meat-packing industry. I do not think it is necessary to make that a part of the record, as it is already a part of an official document.

The CHAIRMAN. You can do so in order to round out your statement to that extent.

Mr. HALL. That statement covers in a more complete and definite way than any document that I know of, the recommendations which have been thoroughly considered by the Department of Agriculture.

The CHAIRMAN. Let it go in the hearing in full.

Mr. HALL. All right.

(And the said report is as follows:)

Under the authority conferred upon the President by the food-control act, substantial progress has been made by the Department of Agriculture in the regulation and supervision of stockyards and of commission men, traders, order buyers, packers, and others handling or dealing in live stock in or in connection with stockyards. The important results already accomplished in the improvement of live-stock marketing conditions, and in the eradication of many uneconomic and unfair market practices, demonstrates conclusively the effectiveness of the form of control which has been exercised under the war power, and the desirability of continuing the same or a similar sort of supervision. Not only the stockmen who patronize these great centers of live-stock trade, but also the members of the trade themselves, have quickly recognized the possibilities for betterment of marketing conditions through a corps of competent supervisors clothed with authority to enforce suitable Federal regulations governing public stockyards and those transacting live-stock business therein. Besides the protection thus afforded to consignors of live stock for sale at the markets, the opportunity is obvious for improvement in methods, facilities, and trade practices involved in the handling and sale of live stock aggregating in value many millions of dollars daily.

Closely associated with the supervision of live-stock markets is the problem of a similar authority over the slaughtering, meat packing, and related interests which are centered at the principal live-stock markets. Under the regulations applied to meat-packing establishments by the Food Administration under the food-control act, provisions have been made for the limitation of profits on meats and by-products handled by these establishments, the installation of uniform accounting systems has progressed with comparative rapidity and the centralization of control by a limited group of packers have been checked materially. The economic welfare of most production and distribution will be promoted by the continuation and development in some form of the supervision over the packing industry. Such control should be closely coordinated with that over the live-stock markets. There is urgent need, in connection with this supervisory system, of a central office to which packing concerns should be required to report currently in such form and detail that this central office would be constantly informed concerning their operations. Such an arrangement would afford protection to producers and consumers by enabling the Federal Government to exercise a close and continuous supervision over the policies and operations of the interests which so largely dominate the meat situation.

The restoration and maintenance of conditions which will justify confidence in the live-stock markets and meat-packing industry is the greatest single factor in the problem of the present meat situation in the United States. Therefore, it is my conviction that the necessary legislation, in so far as Congress has the power, should be enacted before the consummation of peace in order that there may be no interruption in the process of regulation.

The assurance of open competition and the stabilizing of prices in the live-stock markets, the elimination of evil practices, the adjustment of charges for market services and the restoration of confidence in market conditions generally, will require, in my judgment, three classes of remedies, namely, regulation, information and voluntary cooperation. A program of Federal regulation, organized and administered as indicated above, and conducted in close harmony with the regulatory bodies of the various states is, I believe, the most essential measure for the solution of the problem. A further remedy in the form of constant publicity, under Government direction, of current-market prices, supplies, movements, and other conditions pertaining to the marketing of live stock, meats and animal by-products, will add immeasurably to the effectiveness of any form of regulation, besides its value as a means of stabilizing the marketing of live stock and its products and making available the information required by producers and distributors for the most intelligent and economical marketing of their products. Considerable progress already has been made in the development of machinery for the distribution of such information at market centers in all parts of the United States. Legislative authority for the further development of this service in connection with live-stock market supervision should be continued and extended. Finally, better organization of live-stock producers and closer cooperation between their organizations, and those representing the different classes of intermediaries, all working in harmony with these agencies of the Government which are directly concerned, will increase still further the effectiveness of regulation and publicity and make for the maximum of efficiency and equal opportunity to all interests engaged in the various branches of the industry.

Mr. HALL. In considering the control of stockyards and live-stock markets as a whole, it seems to me that this committee should consider them as market places and not merely as railroad terminals or freight depots or warehouses. A live-stock market is a very complex institution, and it seems to me it ought to be dealt with as a live-stock market place, made up of the buying and selling sides of the trade, and of the various agencies—news distributing agencies and banks, and other facilities—that go to make up a well organized live-stock market, and not merely as a freight terminal.

I think the same is true of the refrigerator-car question which one Congressman mentioned a few minutes ago, and of the meat distributing branch agencies.

In connection with our investigations, we have had occasion to follow through a good many shipments of meats, and observe the distribution of those meats from the packing house clear through to the retail shops, and it is my judgment that the refrigerator car should be regarded as a necessary part of the operating equipment of a packing house, no matter whether a comparatively small packing house or a large packing house. The movement of meats from the packing house to the branch house, and the distribution from the branch house is a very complex operation, and I believe that it would complicate rather than simplify matters to remove the refrigerator car from the rather direct control of the packing house. And when I say that I want to assure you that I am considering the welfare of the small packer quite as much, and I think perhaps it will be proper to say more, than the large packer. And I am thinking, too, primarily, of the welfare of the stock man who markets his stock

tration and the installation of a uniform basis of accounts by the Federal Trade Commission should proceed as already settled between the Federal Trade Commission and the Food Administration; thirdly, that the packers should be required to report the wholesale prices received for meat products and other information which is specified in the report to the Department of Agriculture for publication in their market reports; fourth, that reports showing wholesale prices of food dealers, made to the Food Administration, should be given local publicity; fifth, and one I particularly want to mention here, is that the stockyards should be placed under license and regulation by the Department of Agriculture, which should also establish a governmental system of animal grading, with supervision and daily reporting of actual transactions.

And, finally, the report provided for better coordination of purchases of meat supplies for Government use, and that the prices of meat so purchased should be based on economic conditions, so as to protect both the producer and the consumer—not merely the cheapest price at which the Government could get the product; that is, taking the cattle feeder's conditions into consideration on the one hand, and the consuming public on the other, determining what would be a fair and proper price—and that there should be better coordination between the War Department and the Navy Department and the allied purchases as represented by the Food Administration.

Mr. ESCH. That was under the influence of war conditions.

Mr. HALL. Yes, sir.

Mr. ESCH. You wouldn't recommend that as a peace-condition program.

Mr. HALL. Well, the need for that is rapidly passing now, and will become of minor importance as time further goes on.

Since this report is to be filed as a part of the record, I will not go into it further, but I wanted to give you the background of the supervisory work which has been begun and carried on since that report was adopted; that is, supervision of stockyards by the Department of Agriculture.

As the result of the report of that commission the President, on June 18, 1918, issued a proclamation requiring all persons, associations, firms, or corporations operating stockyards which were carefully defined, designating certain classes of stockyards and all persons handling or dealing in stock in or in connection with stockyards, to secure a license on or before July 25, 1918, and designated the Secretary of Agriculture as the official responsible for the exercise of this licensing power and the preparation of rules and regulations for governing licensees.

On July 26 a set of rules and regulations governing such licensees was issued by the President, on recommendation of the Secretary of Agriculture, and the Bureau of Markets immediately began the development of the work, supervisors being located in the principal markets for the purpose of enforcing the regulations issued by the President.

Mr. ESCH. That was under the war power.

Mr. HALL. Yes, sir.

Mr. ESCH. Do you intend to license them in time of peace?

Mr. HALL. It seems to me a continuation of such supervision, either under license, or under some arrangement which is equivalent

to a license in its effectiveness, is the most essential measure that is needed for the further correction and improving of market conditions.

It seems to us that the mere presence of a Government representative in the stockyards, with such authority as it is constitutional to give him for the supervision of market practices, is bound to exercise a most wholesome effect upon conditions at the stockyards, upon the same principle that putting a policeman on a corner prevents a great deal of crime and a great many misdemeanors which otherwise might occur. I make that comparison without any desire to reflect in any way upon the live-stock markets, but it seems obvious that at a market like Chicago, where the business amounts to \$3,000,000 a day on an average, and where there are hundreds of traders engaged, many unfair conditions and practices are bound to continue unless the members of the trade are subject to some sort of supervision; and in any industry like the packing industry, where the control is so highly concentrated and centralized in a few large market centers, it seems obvious to me that the United States Government ought to know just what the daily operations of those concerns are, and that the Government should have access to the books, not only of the packers, but of the stockyards, and of commission men and of speculators, just as our national banks are supervised by the Treasury Department. I believe that such supervision can be exercised effectively. There seems to be a difference of opinion on that point.

There are some who think the packers are already bigger than the Government; I do not think so. I think it is just as possible to throw light on the operations of the packers, which light in itself will correct many conditions that are complained of, as it is to insure honest and economical operation of the national banks.

Perhaps the best way to illustrate that, or to demonstrate it, would be to quote from the results of stockyards supervision up to date. At the Chicago stockyards the commission men's organization, which is called the Chicago Live Stock Exchange, voluntarily passed a rule last July, about the time the regulations went into effect, preventing commission firms from carrying on their pay rolls or accepting gratuitously the services of live-stock traders. The effect of this rule was to eliminate numerous relationships between commission men and traders, which enabled them to make unwarranted profits from the sale of stock consigned to commission men. This abuse was particularly pronounced with respect to cripples and "throw-outs," but it has been a serious evil in connection with trading in all kinds of live stock in the yards. This silent partnership between commission men and some speculators to whom they would sell live stock enabled them to split the difference on the profits.

The reform has been effected under the new Government regulations at Kansas City, which represents the second largest live-stock market in the country, and which voluntarily adopted a rule against the "padding" of feed accounts, which has been a practice in vogue not only at Kansas City, but in most of the large stockyards, for many years. For instance, John Smith ships a car of cattle to the Kansas City stockyards, merely using Kansas City as an illustration, and the same thing has applied to the most of the live-stock markets. The commission man orders 300 pounds of hay for the

cattle. Perhaps half an hour after that time the cattle are sold and weighed up to the packer and leave the pens, while two-thirds or three-quarters of that hay left. Then Bill Jones's cattle are put into that pen, and after they eat a little more of that hay they are sold and driven out of the pens and to the packing house. Then John Brown's cattle are put in and the same thing occurs. It has been customary for some commission men to charge each of the three consignors with the full value of the hay put in, leaving a considerable profit to the commission man on that account.

The CHAIRMAN. Was that practice pretty general?

Mr. HALL. Yes, sir; one commission firm made \$56,000 in three years on its feed account. That has been stopped as far as our supervisors and auditors have been able to run it down.

Then we found that at one of the large stockyards it was the practice of the commission men to give large tips to yard employees for special privileges, in the selection of pens, and the getting of stock to the scales, and so on. It was costing some of them \$1,200 or \$1,500 a year in tips, which of course ultimately the shipper had to pay in one way or another.

The president of one of the largest stockyards, as soon as it was called to his attention that his salary of \$25,000 a year was rather out of line with justice and fairness, considering that he was rendering very little, if any, service to that yard, voluntarily abandoned that salary.

The CHAIRMAN. If you do not care to reveal the stock yards to which you refer, I will not ask you to cite it, but otherwise I would like to know which of the stock yards you refer to.

Mr. HALL. I do not wish to avoid giving any information, Mr. Chairman, that it is proper for me to give. I am not sure whether it would be proper for me to disclose that information here.

The CHAIRMAN. I did not know how you obtained it, but thought it might be of some interest. Never mind, however.

Mr. WINSLOW. If that is to be used in favor of legislation then we ought to know the facts. If stockyards are paying such salaries we ought to know which stockyards, how many of them, and so on.

The CHAIRMAN. I simply wanted to know if the witness had any objection to giving the case he referred to.

Mr. WINSLOW. If we are to act upon this testimony for legislative purposes it doesn't seem to me right to inject into the statement something that we are not to follow out and get the full information about. If it is to be mentioned at all we should carry it on through, and get all of the information available.

Mr. HALL. I am not prepared to say whether this is a typical case or not.

Mr. WINSLOW. Do you make the charge that stockyards officers are paid too much?

Mr. HALL. I am not prepared to make that charge.

Mr. WINSLOW. Then, as a basis for legislation, you do not think an isolated case ought to be given very much credence?

Mr. HALL. I shall have to leave that to the committee to decide. I am citing a few instances of the effect of the legislation up to date.

Mr. WINSLOW. I do not think that gentlemen who are here representing departments, and who are servants of the people, should men-

tion any case of this kind without carrying it through and giving us full data.

Mr. HALL. I think it would either be right to withdraw that entirely or secure the approval of our solicitor to letting the name be given.

Mr. WINSLOW. We had no modesty in asking these packers, who have been before us to give their testimony, to tell all they knew about the salaries of themselves and of their brothers and sisters, and of everybody else in connection with their business, and they have done it freely and fully. They have gone on record, and one of them said he was perfectly willing to be regarded as being on oath. If they are willing to come in and show their cards face up on the table it is not right for us to let the representatives of the Government come in and indulge in innuendo or fail to give full information in their possession.

The CHAIRMAN. This is only as to stockyards.

Mr. WINSLOW. But this is playing a very prominent part in this investigation. And when we have had witnesses, representing the packers, they have given their salaries and everything else that we asked them to give.

The CHAIRMAN. I asked the question in all good faith, but did not want to insist upon the witness giving the information if he thought it improper.

Mr. WINSLOW. I understand, Mr. Chairman, and I am not for one moment criticizing the chairman, but it occurs to me that this is a matter we should have full light on. Here comes a gentleman, representing the Department of Agriculture, and he throws out the suggestion that some president of some stockyards was receiving such a salary as that, when it was called to his attention, he was willing to forego and, left in that position, would have a tendency to greatly prejudice the whole situation. I do not know whether that is a general situation or not, and this witness does not seem to know, but I can see no reason why he should not give full information and give the name of the party to whom he refers and the name of the stockyards.

The CHAIRMAN. This gentleman did not come of his own accord, we invited him, and I take it you voted for the motion made by Mr. Esch that he be invited.

Mr. WINSLOW. Yes; and I want information when he gets here and, having referred to this matter, it seems to me that he should give the name of the stockyards and of the president.

Mr. HALL. I think I can say right here that I do not see why I should hesitate to give full information but if I find, after consulting our solicitor, that it ought not to go into the record, I presume you wouldn't want me to go further, and that it should be stricken out. If the solicitor of the Department of Agriculture is willing to let this name go in, I am very willing to tell the committee.

Mr. WINSLOW. In effect, you are suggesting a bargain with the committee. I am not willing to subscribe to your proposition.

Mr. HALL. Suppose we go ahead, and I will give you the full information. I am talking about the National Stockyards at East St. Louis.

Mr. WINSLOW. You realize that you are representing a Government agency, and we want information.

Mr. HALL. I can assure you that we have no secrets that we are not willing to give any one under any circumstances that are legitimate and proper. You will understand my difficulty, I hope; that I am not a lawyer and that when I come up to a point of that sort, I am sometimes doubtful as to just what is legally proper.

Mr. WINSLOW. If you feel a delicacy about that, I am quite willing to have you withdraw that testimony if you feel it might not be approved of by your superiors.

The CHAIRMAN. Why withdraw it?

Mr. WINSLOW. I say I wanted to know more about it after the witness mentioned the matter; and I am very willing to leave it in. Whenever matters of that kind are mentioned here in that way, it certainly is not proper to leave it in that situation.

The CHAIRMAN. Anyway, the salary was abandoned. Was the salary reduced or abandoned?

Mr. HALL. I do not know. The information I have is that it was discontinued; but whether completely abandoned or not, I do not know.

The CHAIRMAN. Anyway, it was done on the suggestion of your department?

Mr. HALL. It was done as the result of our pointing out that it was an inconsistent salary.

The CHAIRMAN. All right. Proceed.

Mr. HALL. At a number of large stockyards, the weighing of stock has been entirely rearranged, so as to relieve the congestion in the yards, simply by devising a numerical order by which the different commission men should weigh their stock. It has cleared up a good deal of congestion which has caused shrinkage and delay and general dissatisfaction in the handling of live stock in nearly all the large stockyards.

Furthermore, the stockyards companies at several markets have been required to clean pens and alleys which otherwise would have been permitted to remain in an unfit condition. I was told at the Kansas City stockyards the other day, as I went through the yards, that they were in better condition than they had been for a number of years as the result of the activities of our market supervisor at that point.

In a number of instances, stockyards have been required to employ additional men for unloading and handling and reloading of live stock.

I could give you fuller information in this matter, but feel that I have not the time.

The CHAIRMAN. You may put in any statement that you have there.

Mr. HALL. I have a fuller statement on the matter. (and the said statement is as follows):

Of the 120 stockyards licensed by the Department of Agriculture under the President's proclamation of June 18, 1918, 55 are now under the actual supervision of representatives of the Bureau of Markets. The following typical instances are cited to show how conditions in the public stockyards have been improved as a direct result of supervision together with the enforcement of regulations governing licensees.

The Chicago Live Stock Exchange, after a conference with officials of the Bureau of Markets in July, adopted a rule preventing commission firms from carrying on their pay rolls or accepting gratuitously the services of live-

traders. The effect of this rule was to eliminate numerous relationships between commission men and traders which enabled them to derive unwarranted profits from the sale of stock consigned to commission men. This abuse was particularly pronounced with respect to cripples and throwouts, but it has been a serious evil in connection with trading in all kinds of live stock in the yards. This reform has been effected to a considerable extent at other stockyards under the new Government regulations.

The Kansas City Live Stock Exchange, as a result of the enforcement of these regulations, in August, 1918, voluntarily adopted a rule against padding of feed accounts, which has been a practice not only in vogue at Kansas City but at most of the large stockyards for many years. The enforcement of this rule abrogated the custom of charging more than one shipper for the same feed. Recent investigations by accountants in the stockyards supervision service disclose that some commission firms have made enormous profit out of their "hay account" prior to the inauguration of this supervision, and it is evident that many thousands of dollars already have been and will be saved to shippers on this score.

Another practice which has been abolished at Kansas City, and which is being eliminated at other markets, is the tipping system whereby employees of the stockyards companies have demanded personal fees from commission men for services which the stockyards company is paid to render in unloading, yarding, loading, and otherwise handling live stock in the yards.

The president of one of the largest stockyard companies, who was receiving a salary of \$25,000 per annum from the company as president and whose predecessors received the same salary for many years, voluntarily discontinued this salary when his attention was called to its excessiveness, considering the fact that he devoted his time almost entirely to other interests, and practically gave no attention to the management of the stockyards in question. The accounts of other stockyards are being examined, and similar cases will be dealt with in like manner as they arise.

Serious congestion and confusion in the handling and weighing of stock at the Kansas City and Chicago stockyards have been immediately and effectively relieved by means of the rearrangement of weighing schedules which have been put into effect by the department's local market supervisors. This action has greatly simplified and improved a condition which has been a source of tremendous shrinkage and loss and which could only have been remedied by a neutral agency clothed with the authority of the Government. Similar measures are being adopted at other yards in which the same conditions have existed to a somewhat less marked extent.

Stockyards companies at several of the markets have been required to clean pens and alleys which otherwise would have been permitted to remain in an unfit condition until freezing weather, thereby preventing proper cleaning during the winter. The stockyards management at other points have been required to employ additional labor for the handling of live stock in order to relieve existing congestion.

Several cases of fraudulent dealing and deceptive practices have been apprehended and dealt with. In one such case more than \$30,000, which had been withheld from remittances to consignors, has been placed in escrow for distribution to the parties from whom it was withheld. It is manifest that the disclosure and treatment of such cases has had a far-reaching salutary effect.

This will have a very salutary effect on other cases which we probably will not be able to reach directly, owing to the very large number of commission men and the difficulty of employing a sufficient number of auditors to go through their books completely. Here again, if time permitted, I could go on almost indefinitely, multiplying instances of results of this supervision.

In developing this supervision service it is our plan to establish a central office at Chicago, with a corps of experts trained in every branch of the packing industry, who would receive every day a series of reports from the packers showing their purchases and sales and cost and the distribution of their meat, and every detail of their business, which is necessary for an intelligent determination of the poli-

Mr. HALL. I think that should be safeguarded in such a way as to indicate the conditions under which the license would be revocable.

Mr. DOREMUS. You are not advocating irrevocable licenses?

Mr. HALL. No, indeed, sir. I think, in justice to the small concerns which might embark in a packing business—and that is one of the chief things we want to accomplish; we want to bring in more competition—I think that such concerns are entitled to a more definite assurance as to the conditions under which the license would be revocable.

Mr. DOREMUS. And, broadly speaking, you are opposed to this bill, are you not?

Mr. HALL. I would like to put my answer this way: That I am opposed to the general proposals embodied in this bill, particularly the acquiring of packing and live-stock marketing facilities by the Government. I don't like to say that I am opposed to any particular legislation, because, as far as I am concerned, and I am sure so far as the Department of Agriculture is concerned, we do not wish to be regarded as being either wedded to or directly opposed to any particular legislation; but we, so far as I am concerned personally—and I think I can speak for those that are closely associated with me—we believe that the packing industry and the live-stock markets are too complex a class of business for the Government to embark in.

Mr. DOREMUS. In brief, your attitude is that the evils growing out of the meat-packing industry can be remedied by adopting a system of supervision administered by the Department of Agriculture?

Mr. HALL. Yes, sir; if we may add to that, a similar supervision by the Interstate Commerce Commission over the transportation features of the marketing of live stock and the distribution of meats, with the cooperation of the Federal Trade Commission in the investigation of illegal and clearly irregular practices, and of any other agency of the Government which is properly charged with responsibility for any of the conditions or practices involved in the meat industry. I do not wish to be understood as recommending that the Department of Agriculture should be given any powers that properly belong to any other department of the Government, but so far as the administration of the license system and the supervision and regulation of the industry is concerned, I do not hesitate to answer in the affirmative.

Mr. DOREMUS. If Congress should turn over to the Agricultural Department this entire subject, do you think you could bring down the price of meats to the consumer?

Mr. HALL. That will depend upon a great many conditions such as labor conditions, and the general agricultural conditions. Prices of feed, of course, are fundamental to the prices of live stock and meats.

Mr. DOREMUS. But you wouldn't want to guarantee that you could beat down the law of supply and demand?

Mr. HALL. No, sir; I should not wish to undertake that job. But I do think that the margin between the prices of live stock and meats can be minimized to the utmost by a supervisory system. I think it would take a good while to make the desired degree of progress in the supervision of such an industry as the live stock and meat industry.

Mr. DOREMUS. You are not prepared this morning to hold out any great hope to the consumers of the country that any material reduction in retail prices could be effected through a system of supervision administered by the Agricultural Department.

Mr. HALL. No, sir; I think it would be a mistake to hold out any definite and large degree of hope that retail prices are going to decline, because of the fact, as this curve which I have presented brought out, that the supply of live stock is still a long way behind the population, and it is going to take years to close up the discrepancy.

Mr. DOREMUS. The testimony before this committee shows a very material and marked increase in the production of live stock during the past two or three years. At the same time the prices of all kinds of meats to the consumer have been increasing. I don't suppose that your investigations will enable you to give an explanation of those conditions?

Mr. HALL. I do not feel competent to give an official statement, sir, as to that matter, but I don't hesitate to mention two or three conditions which stand out in my mind as the large contributing factors, such as the high prices of feed which have been fed into the live stock that come upon our markets; the shortage of labor on the farms and ranges; the very large export trade in meats, which has taken many millions of pounds of meat which otherwise would have gone into domestic channels of consumption; and the general level of prices of other food commodities which naturally are reflected in the prices of meats.

Mr. WINSLOW. When did you begin your daily reports, your meat reports?

Mr. HALL. The meat-trade reports were begun in February, 1917; I think the 19th of February.

Mr. WINSLOW. Just before the war was declared with Germany?

Mr. HALL. Yes.

Mr. WINSLOW. But you have had no reports previous to that time, so all your reports cover the war period, virtually?

Mr. HALL. Yes, sir.

Mr. WINSLOW. You spoke of the fact that other reports came out in the markets, through the packers, and that those who circulated these reports got their information from men who were employed by the packers, if I am not mistaken?

Mr. HALL. The latter part of your statement is correct, Mr. Winslow, but the reports have been distributed by the Associated Press, the United Press, and by the telegraph companies.

Mr. WINSLOW. And they got their information from men employed by the packers?

Mr. HALL. Yes, sir.

Mr. WINSLOW. Was that in any systematic way to show a wrong spirit on the part of the packers' employees, or was it just incidentally?

Mr. HALL. I am not in a position to charge any motive whatever. In fact, these men were only partially in the employ of the packers. They had other occupations and they were paid by the packers for furnishing information directly to them, and incidentally were

at the live-stock market and who is depending upon the proper distribution of the meat for a stable and fair price for his live stock.

I want to suggest—and this reminds me of the suggestion made a while ago that we try to direct our remarks at the bill under consideration—that I think it would be a serious mistake to divorce the refrigerator car from the packing industry proper and establish a separate control of the method of handling them. I say that because fresh meat is as perishable as any product that is moved in commerce, and deteriorates as rapidly, if not more so, than almost any other product that can be named among the perishables that are distributed. So, while I do not wish to be considered in any sense as advocating the present system of refrigerator-car control, yet I do think it will be a mistake to lean to the other extreme and put the refrigerator cars on the same basis as our live-stock cars now are. I have learned by experience that the shipper of a car or a trainload of cattle or sheep has to await the pleasure of the railroad company to get the cars to the point where the cattle or sheep are to be loaded and then to move the loaded cars to market. That is a very serious handicap to the shipper, and I think if you were to apply that handicap to the distribution of fresh meat you would set back the meat industry for years. Just so I think it would set the live-stock business back to put the stockyards into the category of railroad terminals, so that the man who sought redress for the difficulties he has in stockyards would have to go through the same sort of loss-and-damage procedure that he has to go through in the case of any other claim against the railroad.

I think the branch house, which is served by the refrigerator car, is essentially and fundamentally and properly a part of the meat business, and that any packing house, large or small, which distributes meat to points several hundred miles distant, could not succeed if it were dependent on any but its own branch-house facilities at the distributing point.

I trust that this committee will regard the refrigerator car and the branch house as a proper and necessary part of the packing-house organization. I believe that some of the smaller packing concerns that are now developing will succeed most certainly in proportion as they develop their own distributing facilities.

It seems to me proper, and I think it essential, that the railroads should be required to furnish adequate refrigerator cars for the transportation of fresh meat to anyone who applied for them. I think it absolutely necessary, in order to encourage other small packers to go into the business—packers who do not handle a large-enough volume of meat to justify owning a line of refrigerator cars of their own, and yet who doubtless would embark in the business if they were sure the railroads would be required to furnish the refrigerator cars upon demand—to give them this assurance.

Now, gentlemen of the committee, since we have but half an hour or so remaining, I think it would be well for me to terminate my general remarks and answer any questions that the committee may wish to ask.

The CHAIRMAN. Have you covered the general subject so far as your department has given it attention?

Mr. HALL. There is one other point that occurs to me, Mr. Chairman. You mentioned a few minutes ago that certain statements

ever in the market or in the packers or the commission men or in the stockyards or in any other way except to tell the truth about the market.

Mr. WINSLOW. Then, aside from commending the superior quality of the information your department gives, you do not charge—you have no charge to make of any ulterior purpose on the part of anybody else?

Mr. HALL. I do not wish to speak of the purpose; I do wish to be understood, though, to the effect that the previous reports were not correct.

Mr. WINSLOW. But you do not want to couple with that any wrong intention or any wrong-doing on the part of anybody?

Mr. HALL. Well, I made some remarks during my testimony as to possible purposes which might be served by those misleading reports. It would have been to the advantage of the commission men, for one thing, and to the advantage of some of the packers, for another thing.

Mr. WINSLOW. You have struck right at the meat of the whole investigation, which is redolent with the suggestion that the packers and everybody connected with them are a bunch of evil-doers. You come in here with a statement that information which the public has been getting for an unlimited time previous to the development of your method of inquiry has been erroneous; has not been dependable. I am anxious to find out whether or not you have really carried on an investigation which is an investigation; or whether you have assumed a lot of things hypothetically and proceeded to meet them and announce them without actually going into them. Now, you have in your mind that there has been a real purpose in this representation, or else you have it in your mind that there is a faulty system due to carelessness and not reflecting any particular attempt to do a wrong thing. In one case you bring in the packer as being guilty of having had collusion in it. And in the other case you exonerate him for any such collusion. One side or the other of that you must have in your mind.

Mr. HALL. I don't wish to seem circumspect, Mr. Congressman, or evade any point which you wish to bring out. Now, as to whether we have actually made an investigation or I am merely drawing on our general information, I may say that we have compiled the figures given out at Chicago, for instance, by other reporting agencies since our reporting service started, and it shows in a general way that on the hog market, for instance, our market averages 10 or 15 cents per hundredweight higher than the unofficial reports did. Now, that is done in this way: Reports that we issue are so classified as to show the market on the recognized classes of marketable hogs, and with a separate quotation on what is known as the roughs and the throw-outs, of which there is only a comparatively small number. Now, the other reports that I speak of give the information in such a way that the reader would be under the impression that the bulk of the hogs were selling much lower than they really do; that is, that these roughs and throw-outs are included in the range of prices—I am speaking now only of a part of the messages that go out—so that with a wide range of prices, wider than the Government reports show or classes of hogs that make up the bulk of the sales, it gives an aspect to the market. That, as I have said, has been to

1982 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

(The said memorandum is as follows:)

MEMORANDUM RELATIVE TO STOCKYARDS SUPERVISION.

The food-control act, entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," was passed August 10, 1917. This act authorized the President to make such regulations and to issue such orders as are essential effectively to carry out its provisions. The purpose of this act was to assure an adequate supply and equitable distribution and to facilitate the movement of various necessities, including foods, during the existence of a state of war.

Under the authority so conferred on the President a proclamation was issued June 18, 1918, which provided that all individuals, partnerships, associations and corporations engaged in the business of operating stockyards for compensation or profit, and all persons engaged in the business of handling or dealing in live stock in or in connection with such stockyards be required to secure licenses on or before July 25, 1918, and the Secretary of Agriculture was authorized to carry into effect the provisions of this proclamation.

On July 26, 1918, general regulations governing persons subject to licenses under this proclamation were issued from the office of the Secretary as Circular No. 116. The Chief of the Bureau of Markets was designated to perform for and under the supervision of the Secretary the duties of enforcing these regulations. Previous to issuing these regulations a tentative draft of same was submitted to live-stock producers, organizations of cattlemen, operators of stockyards, exchanges, commission men, order buyers, and traders of all kinds with a request that they submit any suggestions concerning matters which, in their opinion, should be covered by such regulations. Many such suggestions were received, which were considered and incorporated as far as practicable in the final draft of the regulations.

Immediately after these regulations were issued it was noted that the United States Food Administration was not extending its licensing authority over meat packers to the live-stock buying end of their operations. So on September 6, 1918, the President issued a supplementary proclamation requiring that all individuals, partnerships, associations, and corporations engaged in the business of buying live or dead stock at stockyards secure licenses on or before September 19, 1918, and our general regulations have been amended accordingly.

The regulations governing these live-stock licensees are of necessity general in their nature, but are so framed as to reach practically all the known abuses in connection with the marketing of live stock through the central markets. The work of putting into effect these regulations was hampered by the common difficulty which has had to be met by all forms of activity, both governmental and commercial during these war times, that of securing a sufficient number of competent men to take up the work of supervision at the various markets and intelligently exercise this regulatory authority. However, through the cooperation of the live-stock people a force of market supervisors has been organized, and we now have about 30 of them stationed at different central points throughout the country exercising effective supervision over more than 100 licensed stockyards. On January 1, 1919, licenses had been issued covering the different branches of the live-stock industry, as follows:

Stockyard companies and individual stockyard operators.....	123
Commission men.....	75
Buyers (packing companies and rendering plants)	124
Order buyers.....	30
Traders, including speculators and scalpers.....	1,000

Various complaints have been received from time to time concerning alleged violations of our regulations, and hearings have been held and are being held continuously for the purpose of determining the issues involved in such complaints, among which were the hearings at Chicago, Denver, and Kansas City in connection with our investigation of increases of commission rates (a matter which is still under consideration). The reports which are being received every day from our various supervisors show encouraging results in the improvement of conditions at the central markets in the handling of and dealing in live stock. These reports also indicate the undisputed importance of permanently maintaining Government supervision as a necessary neutral factor in the marketing of live stock.

AFTER RECESS.

The committee reassembled at the expiration of the recess at 2 o'clock p. m.

STATEMENT OF MR. LOUIS D. HALL, OF THE BUREAU OF MARKETS, DEPARTMENT OF AGRICULTURE—Continued.

Mr. WINSLOW. Is there any horse meat used for food in this country?

Mr. HALL. Some, Mr. Congressman.

Mr. WINSLOW. In what sections of the country?

Mr. HALL. There has been some used at Portland, Oreg., some at Milwaukee, and I think there is an establishment at Omaha that has been slaughtering a small number of horses, and some at other points.

Mr. WINSLOW. Do you have oversight of horse meat?

Mr. HALL. No, sir; the Bureau of Markets has had no oversight of horse meat.

Mr. WINSLOW. It is not sold at any of these stockyards?

Mr. HALL. Not to my knowledge.

Mr. WINSLOW. These East St. Louis yards have horses and mules in the yards, do they not?

Mr. HALL. Yes, sir; there is a horse market there; horses and mules, but so far as I know there is no purchase there for slaughtering purposes.

Mr. WINSLOW. The horse and mule business would be a part of the general St. Louis business in the stockyards, would it not?

Mr. HALL. Yes, sir.

Mr. WINSLOW. So that the administrative board there would have to do with handling mules and horses in the horse market, in addition to foodstuffs?

Mr. HALL. That would depend upon the legislation that may be enacted. At present, under the food control act, we have authority only as to meat animals.

Mr. WINSLOW. I do not mean that the officers of the stockyards would have among their duties care connected with the horse and mule market more than the foodstuffs. They would have as much responsibility, though?

Mr. HALL. Yes, sir.

Mr. WINSLOW. So it would be an addition to the ordinary stockyard business. Is there any other stockyards in the country that you know of where horses and mules are sold?

Mr. HALL. At Chicago, and if I am not mistaken, at Kansas City, horses and mules are sold on the premises of the stockyards company, and I think at some other points. I would be glad to put that in the record. I do not have it in my mind definitely.

(Horses are sold on premises of other stockyards at South St. Joseph, Fort Worth, Memphis, Nashville, Atlanta, Pittsburgh, and many cities.)

Do you think legislation can establish, by itself, a business men or organizations?

Yes; not by itself.

"The stockyards should be placed under license and regulation by the Department of Agriculture, which should also establish a governmental system of animal grading under suitable regulations and methods of price reporting of actual transactions. Daily reports should be made on distribution and destinations of live stock, meats, and other products from principal packing points."

The CHAIRMAN. Well, Mr. Esch, you may cross-examine the witness.

Mr. ESCH. Did you finish, Mr. Hall?

Mr. HALL. I shall be glad to rest my general statement here.

Mr. ESCH. You referred to several bulletins gotten out by the Department of Agriculture, especially No. 113. Can you supply enough for the committee?

Mr. HALL. I am sorry to say that the department's supply is exhausted, but they may be secured from the Superintendent of Documents of the Government Printing Office at a very nominal charge.

Mr. ESCH. Do you believe that Congress should enact legislation that would legalize standards for live stock; is that one of your propositions?

Mr. HALL. Ultimately; yes, sir. I think it would take a considerable time to work out such standards, just as it required a long time to work out cotton and grain standards, but doubtless that can be done, although some difficulties will be encountered with reference to some classes of live stock which may make it impracticable to ever go as far as we would like with those standards. But I think that a great deal of progress can be made in that direction.

Mr. ESCH. And you think that if standards were legalized it would have a tendency to prevent fluctuations?

Mr. HALL. Yes, sir.

Mr. ESCH. Also to insure the producer a fair price?

Mr. HALL. Yes, sir.

Mr. ESCH. Is that the object of it?

Mr. HALL. Yes, sir.

Mr. ESCH. Do you think that the many evils as to which the public now complains with reference to the packing industry can be met by the suggestion you have made here, and possibly by increasing the powers the Agricultural Department now has?

Mr. HALL. Yes, sir. I am very confident of that. I wish to say that so far as the agency through which these remedies are applied is concerned, I have no desire to emphasize that point. I think that the various agencies of the Government should bring their authority to bear on this question. The Interstate Commerce Commission could accomplish a great deal, so far as refrigerator cars are concerned.

Mr. ESCH. You say, if necessary, then, to pass the pending measure, which would take over the packing industry or the stockyards and take over the refrigerator cars by the Government?

Mr. HALL. I did not quite get the first part of that question, Mr. Congressman.

Mr. ESCH. You think it would be advisable or necessary to carry out the plans proposed in this bill in the matter of the Government taking over the stockyards and the refrigerator cars and branch houses?

Mr. HALL. No, sir; I consider that quite impracticable.

Mr. Esch. But your remedy would be by licensing the packing industry, by strengthening the powers of the Secretary of Agriculture with reference to the standardization or classification of live stock, by an enlarged supervision, and by increasing the amount of information through your Bureau of Markets? Is that your policy or your plan?

Mr. Hall. That summarized it very concisely, Mr. Congressman.

Mr. Esch. And you say if all that were done it would not be necessary to carry out the provisions of the pending bill?

Mr. Hall. No, sir; I do not think so.

Mr. Doremus. Do you indorse any of the provisions of this bill?

Mr. Hall. That is a difficult question to answer, sir. I just want to glance at it a second before I give a positive answer on that question [examining bill]. So far as I can say at this time, I do not believe that any of the sections of this bill would accomplish the purposes for which they are intended.

Mr. Doremus. I understood you to say a short time ago that you favored the license system. That is in that bill. That bill makes it imperative that the packers shall operate under a license issued by the President.

Mr. Hall. Yes, sir; but there are some features in that section that I think render it ineffective. For instance, in section 3, pertaining to the licensing of packers, it provides that such a license shall be revocable at the discretion of the President, and the remainder of the section is so indefinite that I do not consider it suited for the purpose it is intended to accomplish. It leaves the matter in such loose form that it would be subject to too much administrative license, if we might call it that.

Mr. Doremus. Do you think that the packer should be required to operate under a license to be issued by the President?

Mr. Hall. Well, I think they should be required to operate under a license to be issued in such manner as will be most effective. I am not prepared to say whether it should be issued by the President or by some particular agency of the Government, but I do think that the license and the regulation or supervision under the license system is the first step in the direction of the evil that it is desired to reach.

Mr. Doremus. Is there any doubt in your mind as to whether that license should be issued by the President?

Mr. Hall. It certainly should be issued under the President's direction, probably by some one of the executive departments. My own view is, if I may assure you that I am trying to separate myself from any prejudice that my connection with the Department of Agriculture might give me—I assure you that it is entirely impersonal—I think that such a department as the Department of Agriculture, one that is engaged in other and similar lines of supervision, should administer the supervision. I think it is quite comparable to the administration of the meat inspection service, the food and drugs act, the Forest Service, the Federal grain supervision, supervision of cotton standards, and other forms of supervision which already are vested in the Department of Agriculture. That is why I say that, so far as I can see, the supervision should be administered by the Secretary of Agriculture.

Mr. Doremus. And you don't like that part of the bill which makes this license revocable, do you?

Mr. HALL. I think that should be safeguarded in such a way as to indicate the conditions under which the license would be revocable.

Mr. DOREMUS. You are not advocating irrevocable licenses?

Mr. HALL. No, indeed, sir. I think, in justice to the small concerns which might embark in a packing business—and that is one of the chief things we want to accomplish; we want to bring in more competition—I think that such concerns are entitled to a more definite assurance as to the conditions under which the license would be revocable.

Mr. DOREMUS. And, broadly speaking, you are opposed to this bill, are you not?

Mr. HALL. I would like to put my answer this way: That I am opposed to the general proposals embodied in this bill, particularly the acquiring of packing and live-stock marketing facilities by the Government. I don't like to say that I am opposed to any particular legislation, because, as far as I am concerned, and I am sure so far as the Department of Agriculture is concerned, we do not wish to be regarded as being either wedded to or directly opposed to any particular legislation; but we, so far as I am concerned personally—and I think I can speak for those that are closely associated with me—we believe that the packing industry and the live-stock markets are too complex a class of business for the Government to embark in.

Mr. DOREMUS. In brief, your attitude is that the evils growing out of the meat-packing industry can be remedied by adopting a system of supervision administered by the Department of Agriculture?

Mr. HALL. Yes, sir; if we may add to that, a similar supervision by the Interstate Commerce Commission over the transportation features of the marketing of live stock and the distribution of meats, with the cooperation of the Federal Trade Commission in the investigation of illegal and clearly irregular practices, and of any other agency of the Government which is properly charged with responsibility for any of the conditions or practices involved in the meat industry. I do not wish to be understood as recommending that the Department of Agriculture should be given any powers that properly belong to any other department of the Government, but so far as the administration of the license system and the supervision and regulation of the industry is concerned, I do not hesitate to answer in the affirmative.

Mr. DOREMUS. If Congress should turn over to the Agricultural Department this entire subject, do you think you could bring down the price of meats to the consumer?

Mr. HALL. That will depend upon a great many conditions such as labor conditions, and the general agricultural conditions. Prices of feed, of course, are fundamental to the prices of live stock and meats.

Mr. DOREMUS. But you wouldn't want to guarantee that you could beat down the law of supply and demand?

Mr. HALL. No, sir; I should not wish to undertake that job. But I do think that the margin between the prices of live stock and meats can be minimized to the utmost by a supervisory system. I think it would take a good while to make the desired degree of progress in the supervision of such an industry as the live stock and meat industry.

Mr. DOREMUS. You are not prepared this morning to hold out any great hope to the consumers of the country that any material reduction in retail prices could be effected through a system of supervision administered by the Agricultural Department.

Mr. HALL. No, sir; I think it would be a mistake to hold out any definite and large degree of hope that retail prices are going to decline, because of the fact, as this curve which I have presented brought out, that the supply of live stock is still a long way behind the population, and it is going to take years to close up the discrepancy.

Mr. DOREMUS. The testimony before this committee shows a very material and marked increase in the production of live stock during the past two or three years. At the same time the prices of all kinds of meats to the consumer have been increasing. I don't suppose that your investigations will enable you to give an explanation of those conditions?

Mr. HALL. I do not feel competent to give an official statement, sir, as to that matter, but I don't hesitate to mention two or three conditions which stand out in my mind as the large contributing factors, such as the high prices of feed which have been fed into the live stock that come upon our markets; the shortage of labor on the farms and ranges; the very large export trade in meats, which has taken many millions of pounds of meat which otherwise would have gone into domestic channels of consumption; and the general level of prices of other food commodities which naturally are reflected in the prices of meats.

Mr. WINSLOW. When did you begin your daily reports, your meat reports?

Mr. HALL. The meat-trade reports were begun in February, 1917; I think the 19th of February.

Mr. WINSLOW. Just before the war was declared with Germany?

Mr. HALL. Yes.

Mr. WINSLOW. But you have had no reports previous to that time, so all your reports cover the war period, virtually?

Mr. HALL. Yes, sir.

Mr. WINSLOW. You spoke of the fact that other reports came out in the markets, through the packers, and that those who circulated these reports got their information from men who were employed by the packers, if I am not mistaken?

Mr. HALL. The latter part of your statement is correct, Mr. Winslow, but the reports have been distributed by the Associated Press, the United Press, and by the telegraph companies.

Mr. WINSLOW. And they got their information from men employed by the packers?

Mr. HALL. Yes, sir.

Mr. WINSLOW. Was that in any systematic way to show a wrong spirit on the part of the packers' employees, or was it just incidentally?

Mr. HALL. I am not in a position to charge any motive whatever. In fact, these men were only partially in the employ of the packers. They had other occupations and they were paid by the packers for furnishing information directly to them, and incidentally were

employed by the board of trade and by the telegraph companies for furnishing similar information.

Mr. WINSLOW. Now, would you charge that the men furnishing that information were in any way prompted by any suggestion of the packers, or did they merely reflect the facts as they gathered them from their own volition?

Mr. HALL. I am not prepared to make any statement as to the extent to which their quotations may or may not have been influenced by the packers. I think it is obvious that a man who is interested entirely in a certain live-stock market, and who is serving distributing interests entirely, whether it be packer or commission man or board of trade, is bound to take a colored view of the market, and to send out a report which will be more largely in the interests of that particular market or in the interests of his particular employers than in the interests of the live-stock trade at large. That is the general idea of what I want to convey in referring to those previous market reports.

Mr. WINSLOW. Assuming that that is quite correct, would you leave in the minds of the committee the impression that your department felt that these men were inspired by others to the extent of acting in collusion with others for a definite purpose other than reporting the real facts?

Mr. HALL. I should not wish to use the word "collusion," but I don't hesitate to say that the statistics show that their reports and the present reports of some of the market agencies are out of line with the facts; that is to say, the quotations are misleading and do not reflect the true market.

Mr. WINSLOW. Would you charge that the packers in any way directly and wrongfully influenced those reports through their agents?

Mr. HALL. No, sir; I have no facts on which to base such a charge, and I do not believe in making speculative statements.

Mr. WINSLOW. I want to get the purpose of this thing. Would you want to clear the matter up by saying that you do not feel that the packers were not responsible for incorrect reports?

Mr. HALL. No, sir; I could not say that.

Mr. WINSLOW. Well, let us go back to the affirmative, then. Do you want to say that you believe that the packers are responsible for putting out those incorrect reports?

Mr. HALL. It seems to me that it would be improper for me to attempt to answer either of those questions, whether stated affirmatively or negatively, because such a statement only could be made properly. I think, if one knew what the instructions of the packers to their employees were; and not knowing anything at all on that subject, I can only say that I don't know.

Mr. WINSLOW. Well, you must have had some purpose in introducing that statement into your testimony. Will you kindly state what your purpose was and what impression you wanted to leave on the committee?

Mr. HALL. I wished in stating to the committee that the previous reports were based on information furnished by men employed partially by the packers, to show you the advantage of an official report sent out by the Government agents who have no interest what

ever in the market or in the packers or the commission men or in the stockyards or in any other way except to tell the truth about the market.

Mr. WINSLOW. Then, aside from commending the superior quality of the information your department gives, you do not charge—you have no charge to make of any ulterior purpose on the part of anybody else?

Mr. HALL. I do not wish to speak of the purpose; I do wish to be understood, though, to the effect that the previous reports were not correct.

Mr. WINSLOW. But you do not want to couple with that any wrong intention or any wrong-doing on the part of anybody?

Mr. HALL. Well, I made some remarks during my testimony as to possible purposes which might be served by those misleading reports. It would have been to the advantage of the commission men, for one thing, and to the advantage of some of the packers, for another thing.

Mr. WINSLOW. You have struck right at the meat of the whole investigation, which is redolent with the suggestion that the packers and everybody connected with them are a bunch of evil-doers. You come in here with a statement that information which the public has been getting for an unlimited time previous to the development of your method of inquiry has been erroneous; has not been dependable. I am anxious to find out whether or not you have really carried on an investigation which is an investigation; or whether you have assumed a lot of things hypothetically and proceeded to meet them and announce them without actually going into them. Now, you have in your mind that there has been a real purpose in this representation, or else you have it in your mind that there is a faulty system due to carelessness and not reflecting any particular attempt to do a wrong thing. In one case you bring in the packer as being guilty of having had collusion in it. And in the other case you exonerate him for any such collusion. One side or the other of that you must have in your mind.

Mr. HALL. I don't wish to seem circumspect, Mr. Congressman, or evade any point which you wish to bring out. Now, as to whether we have actually made an investigation or I am merely drawing on our general information, I may say that we have compiled the figures given out at Chicago, for instance, by other reporting agencies since our reporting service started, and it shows in a general way that on the hog market, for instance, our market averages 10 or 15 cents per hundredweight higher than the unofficial reports did. Now, that is done in this way: Reports that we issue are so classified as to show the market on the recognized classes of marketable hogs, and with a separate quotation on what is known as the roughs and the throw-outs, of which there is only a comparatively small number. Now, the other reports that I speak of give the information in such a way that the reader would be under the impression that the bulk of the hogs were selling much lower than they really do; that is, that these roughs and throw-outs are included in the range of prices—I am speaking now only of a part of the messages that go out—so that with a wide range of prices, wider than the Government reports show on the classes of hogs that make up the bulk of the sales, it gives an unduly low aspect to the market. That, as I have said, has been to

the advantage of the commission men; it has been to the advantage of the packers who buy hogs direct and buy at the market prices according to the average between the top sales and the bottom sales. And we are confident that the abandonment of that practice will save many millions of dollars to the producers.

Mr. WINSLOW. For the purposes of this inquiry, I think we can assume that you are quite right in your statements, but still you beat away from the points which I don't seem to be able to make clear yet. I want to find out from you, if I can, whether or not in the issuing of the report which you say was erroneous or misleading, do you think anybody willfully created this erroneous report and caused its distribution?

Mr. SANDERS. I would suggest, Mr. Winslow, that the better practice would be for the witness to state the facts and let us draw the conclusions from the facts.

Mr. WINSLOW. I hope to get that by a series of easy stages.

Mr. SANDERS. We are the ones to form our conclusions when he states the facts. If he gives out his conclusions, it would not be admissible in court at all.

Mr. WINSLOW. This isn't a court, and I take advantage of that. And he also states that he is not a lawyer, for which he ought to have some credit. [Laughter.]

Mr. SANDERS. We are the jury.

Mr. WINSLOW. We are quite the jury.

Mr. SANDERS. Therefore he must state the facts and let us draw the conclusions.

Mr. WINSLOW. Well, to help the governor out in his efforts to help us both out, on what facts do you state—do you make the statement that men employed by the packers have influenced these reports and who were they?

Mr. HALL. Well, the facts on which I make that statement are that in May, 1918, when we were preparing to undertake the furnishing of information on live-stock markets to the press associations and the telegraph companies, we were informed by them regarding the parties from whom they were at that time securing their information.

Mr. PARKER of New York. Don't you mean 1917?

Mr. HALL. No, sir; last June when we took over the live-stock reports in Chicago. One of these men is named McCracken. I have forgotten his initials, and I am unable to recall the other one offhand, but I will be glad to put it in the record.

Mr. PARKER of New York. Put it in the record and tell by whom they were employed.

Mr. HALL. Yes, sir; I will.

(The names of said persons and their employers are as follows: L. J. Wehner, formerly employed by Armour & Co.; C. A. S. McCracken, formerly employed by Armour & Co., Cudahy Packing Co., Kingan & Co., and others.)

The CHAIRMAN. The committee will resume its session at 2 o'clock this afternoon. You can come back, can you not, Mr. Hall?

Mr. HALL. I will be glad to come back if you wish.

(Thereupon, at 1 o'clock p. m., the committee recessed until 2 o'clock p. m. this day.)

AFTER RECESS.

The committee reassembled at the expiration of the recess at 2 o'clock p. m.

STATEMENT OF MR. LOUIS D. HALL, OF THE BUREAU OF MARKETS, DEPARTMENT OF AGRICULTURE—Continued.

Mr. WINSLOW. Is there any horse meat used for food in this country?

Mr. HALL. Some, Mr. Congressman.

Mr. WINSLOW. In what sections of the country?

Mr. HALL. There has been some used at Portland, Oreg., some at Milwaukee, and I think there is an establishment at Omaha that has been slaughtering a small number of horses, and some at other points.

Mr. WINSLOW. Do you have oversight of horse meat?

Mr. HALL. No, sir; the Bureau of Markets has had no oversight of horse meat.

Mr. WINSLOW. It is not sold at any of these stockyards?

Mr. HALL. Not to my knowledge.

Mr. WINSLOW. These East St. Louis yards have horses and mules in the yards, do they not?

Mr. HALL. Yes, sir; there is a horse market there; horses and mules, but so far as I know there is no purchase there for slaughtering purposes.

Mr. WINSLOW. The horse and mule business would be a part of the general St. Louis business in the stockyards, would it not?

Mr. HALL. Yes, sir.

Mr. WINSLOW. So that the administrative board there would have to do with handling mules and horses in the horse market, in addition to foodstuffs?

Mr. HALL. That would depend upon the legislation that may be enacted. At present, under the food control act, we have authority only as to meat animals.

Mr. WINSLOW. I do not mean that the officers of the stockyards would have among their duties care connected with the horse and mule market more than the foodstuffs. They would have as much responsibility, though?

Mr. HALL. Yes, sir.

Mr. WINSLOW. So it would be an addition to the ordinary stockyard business. Is there any other stockyards in the country that you know of where horses and mules are sold?

Mr. HALL. At Chicago, and if I am not mistaken, at Kansas City, horses and mules are sold on the premises of the stockyards company, and I think at some other points. I would be glad to put that in the record. I do not have it in my mind definitely.

(Horses are sold on premises of other stockyards at South St. Joseph, Fort Worth, Memphis, Nashville, Atlanta, Pittsburgh, and Jersey City.)

Mr. WINSLOW. Do you think legislation can establish, by itself, efficiency as between business men or organizations?

Mr. HALL. No, sir; not by itself.

Mr. WINSLOW. Have you an idea you would like to advance, or would be willing to advance, as to how meats could be reduced in price to consumers under present-day conditions consistent with good business?

Mr. HALL. Under present-day conditions?

Mr. WINSLOW. I mean the cost of production.

Mr. HALL. Do you mean the cost of production or the cost of distribution and manufacture?

Mr. WINSLOW. The cost of production and distribution.

Mr. HALL. There are so many minor wastes that could be corrected that it would be difficult to mention them all offhand, but many of the things I have mentioned here this morning are in that direct connection. For instance, the charges for yardage and feed at the stockyards probably can be reduced somewhat by adequate supervision which would limit the charges to the cost of operation plus a reasonable profit. The cost of distribution I think can be reduced in some instances, at some markets, and in some local communities. Much waste now occurs due to the back haul of meats to the same communities from which the live stock has been shipped to market, and at some of the packing centers. I believe that adequate supervision over the markets will encourage small slaughterers to go into the market and buy stock, slaughter it, and distribute the meat locally at prices below those that now prevail.

Mr. WINSLOW. Do you think any of those results can be accomplished through the direct medium of legislation?

Mr. HALL. Yes, sir; legislation providing for adequate supervision over the markets.

Mr. WINSLOW. I mean do you think that special acts can be so framed and legislated as in themselves to correct the evil?

Mr. HALL. In themselves to control the prices?

Mr. WINSLOW. Well, to correct any of the evils. In other words, would you need legislation, beyond the legislative authority to supervise, in order to bring about the improvements?

Mr. HALL. No, sir; I am unable to suggest any legislation which in itself would reach the matter of prices.

Mr. WINSLOW. But do you want to go on record as saying you think authority might be vested in Government boards of some sort which will be helpful to the whole industry, and which will be in the interests of the public?

Mr. HALL. Yes, sir.

Mr. WINSLOW. Has the Bureau of Markets been working in conjunction with the Federal Trade Commission in this matter of the investigation of the packers?

Mr. HALL. Yes, sir.

Mr. WINSLOW. Did your bureau have anything to do with laying out the plan and scope of the hearing?

Mr. HALL. Of the investigation; yes, sir.

Mr. WINSLOW. Is it your opinion that the packers, for instance, had a fair and an open opportunity to participate in those hearings?

Mr. HALL. The hearings were conducted entirely by the Federal Trade Commission, and I have not been in sufficiently close touch with that part of the investigation, sir, to venture an opinion on that. I merely know what I have seen in the newspapers.

Mr. WINSLOW. Have you ever suggested to the Federal Trade Commission possible or desirable questions or officers of organizations to be called before them for the purpose of getting information from them?

Mr. HALL. No, sir.

Mr. WINSLOW. So you had nothing to do with outlining the methods and operations of the commission?

Mr. HALL. Not of that part of the investigation.

Mr. WINSLOW. What part did you play?

Mr. HALL. We laid out the plans for the investigation of the marketing of live stock from the farms and ranges up to the packing houses through the steps of transportation, and handling in the stock yards, and so on.

Mr. WINSLOW. But you had nothing to do with the selection of witnesses or the mode of investigation?

Mr. HALL. No, sir.

Mr. WINSLOW. Did you have examiners on the books of the packers; have you ever had?

Mr. HALL. No, sir; not as a part of that investigation, and only incidentally otherwise.

Mr. WINSLOW. Have you ever had examiners on the books of the breeders, feeders, and producers?

Mr. HALL. The Department of Agriculture has had such examiners on those books, but that work was done through the Office of Farm Management.

Mr. WINSLOW. Do you know anything about their findings?

Mr. HALL. No, sir.

Mr. WINSLOW. Have you examined the products of the packers?

Mr. HALL. Yes, sir.

Mr. WINSLOW. Have you ever found any tendency on the part of the packers to prepare and sell, or both, unfit materials, either as affecting the foodstuffs, themselves, or the method of packing their product?

Mr. HALL. I may say that I have no instance in mind at this time of that kind, sir. I would like to say further, however, that the sanitary condition of the products is supervised by the Bureau of Animal Industry, another bureau of the Department of Agriculture, and matters of that kind could be answered much more definitely and intelligently by the representatives of that bureau.

Mr. WINSLOW. So far as your bureau goes, you have no complaint to allege?

Mr. HALL. No, sir.

Mr. WINSLOW. You spoke of tips being give out to people connected here and there with different lines of the operation of this business. Just what did you have in mind about those tips?

Mr. HALL. I stated that the Kansas City Live Stock Exchange had passed a rule against the giving of tips by commission men to employees of the stockyards company with respect to special privileges in the assignment of pens for stock, and preference in the weighing of stock at the scales. The thought there was that that was a tax upon the commission man which the shipper indirectly pays, because it adds to the expense of operation of the commission and to that extent requires a larger charge for commission.

Mr. WINSLOW. Had that become a controlling influence in the Kansas City market?

Mr. HALL. Oh, no, sir. I think it was a comparatively minor matter.

Mr. WINSLOW. It would not affect the price of a pound of food-stuff that went through?

Mr. HALL. No, sir; it would be quite inappreciable.

Mr. WINSLOW. Was it general throughout the stockyards, or just typical of Kansas City?

Mr. HALL. I am told by commission men who are familiar with those conditions in different stockyards that it was more or less prevalent in nearly all of the large stockyards.

Mr. WINSLOW. There was no suggestion to give them preferment by any particular packer or packers, or live-stock men, or anybody else except commission men?

Mr. HALL. No, sir; as far as I know, that matter of tipping applied only to the commission men.

Mr. WINSLOW. You said something about the withholding of money.

Mr. HALL. I stated that one licensee engaged in the commission business was found, upon examination of his books, to have withheld amounts aggregating something over \$80,000, which had been taken in in small dribblets of \$5 and \$10 each, which he had withheld from his remittances on consignments of live stock.

Mr. WINSLOW. That is an incidental matter, I presume, not tending to bear on this bill?

Mr. HALL. I mention that as one of the various examples of what has been accomplished to date under the stockyards supervision, which is now in effect.

Mr. WINSLOW. In your inquiry and information obtained from others about this whole proposition of the raising, slaughtering, and sale of meat animals have you made up your mind that any of the agencies involved were making too much profit?

Mr. HALL. Any of the classes of agencies?

Mr. WINSLOW. Yes; classes, not individuals.

Mr. HALL. It is my judgment that the stockyards have been operated at profits which are larger than I regard as reasonable. The ground for that conclusion is the extent to which these stockyards have prospered to the extent to which they have increased their capital stock out of proportion to their physical valuation and, while our bureau has not gone into the books of these companies sufficiently so that I can give very specific testimony on that point, I feel confident that a thoroughgoing supervision of the operations of those companies would result in a materially reduced scale of charges to shippers. I think, too, sir, that the packing business has been very profitable. I am not prepared to say to what extent the profits have been unreasonably large. I am under the impression that other manufacturing industries have made equally large profits, considering the volume of business, the risk, and so on; at the same time I do not regard that as a justification for such large profits as have been made at times in the meat-packing business.

Mr. WINSLOW. Have you any record of the number of meat packers who have failed in business in 50 years?

Mr. HALL. No, sir; I have not.

Mr. WINSLOW. And you have no record of those who have succeeded?

Mr. HALL. We have a record of those who are now engaged in the business; so far as that is an indication of the number that succeeded, that is available.

Mr. WINSLOW. Do you regard the packing business as a hazardous business?

Mr. HALL. I do; yes, sir.

Mr. WINSLOW. More than the ordinary?

Mr. HALL. As compared with staple products, which can be stored indefinitely, I consider it equally as hazardous as that of any other perishable product, all of which, of course, are more or less hazardous. The hazards, however, have been very largely overcome through a high degree of organization and considering the facilities, the organization, and the equipment of the larger packing companies, I should not want to go on record as excusing unusually large profits on the ground of the hazard of the business.

Mr. WINSLOW. What is your idea of a normal profit on a million-dollar investment in the packing business?

Mr. HALL. I can only answer that in a very general way, of course, and I do not know that I ought to answer it at all.

Mr. WINSLOW. But you have tried to say it is too profitable in your judgment—has been—now, you must base that on some figures?

Mr. HALL. I presume you have in mind what percentage of profit?

Mr. WINSLOW. Yes; any way you want to explain it.

Mr. HALL. I hesitate very seriously to attempt to indicate a percentage or an amount that would be representative, because, as I said in following shipments of stock through the markets and the meat on to its destination we found such variable conditions that it, I think, would be practically impossible to strike an average and base any general conclusions on such an average.

Mr. WINSLOW. If you do not have anything in your mind as representative of what they ought to make, would you expect us to give full credence to your previous statement when you said you thought they were making more than they ought to?

Mr. HALL. That I should answer by saying that my previous answer was based on general impressions rather than on definite figures, and I did not undertake to say positively that profits have been inordinate under the circumstances. I gave it simply as a general impression. I do not feel competent to try to reduce it to figures.

Mr. WINSLOW. Did you ever pay too much for the meat you bought? I mean, did you have a mental reservation to that effect?

Mr. HALL. No, sir; I can not say that.

Mr. WINSLOW. Why do you not?

Mr. HALL. Well, because, for one reason, I think I know from my study of meats better how to pick out meat that is worth the money than the average householder, and I can not say that I am robbed any more on my meats at this time than I am on other things that I buy. For instance, I hear people complaining about paying 70 cents a pound for steak when I have no trouble in getting meat, perfectly good meat, for my family at 35 cents a pound.

Mr. WINSLOW. That is interesting. Maybe this will clear up the whole subject for the committee. Not to ask you where you buy it, but what is the secret of getting that 70-cent meat for 35 cents?

I do not want you to tell me where you trade, because I would not rob you of that opportunity for the world.

Mr. HALL. It is no trouble to find those places if you will just walk around the streets. Much of the difference, of course, is due to service, which some people expect along with their meat.

Mr. WINSLOW. Well, then, we have to eliminate that service cost out of the 70 cents?

Mr. HALL. Yes, sir.

Mr. WINSLOW. What do you think that would be on the 70-cent steak?

Mr. HALL. I think it would vary anywhere from one-half to two-thirds of the difference.

Mr. WINSLOW. One-half of the difference; that is, 35 cents. About 53 cents would be a price comparable, then, without the service against your 53 cents?

Mr. HALL. Yes, sir. A further part of the difference is due to the insistence of many people for certain cuts, which they have been in the habit of buying because they either have pride in using a certain cut or because they do not know the difference between the different cuts.

Mr. WINSLOW. Assuming that my neighbor or I insisted upon this delivery, and all the overheard charges that go with that sort of service, do you think we are paying out of reason, or more than we should, if we buy meat at the retail market prices to-day, in the face of normal conditions, production, distribution, and so forth?

Mr. HALL. Yes, sir; I think that retail prices are generally too high. I say I think so. Again I shall have to say I am not prepared to come here with figures as definite as I would like to substantiate that, but I do not hesitate to give that as a general impression based on general observation. The investigation of the retailing of meats is a matter that we have not yet been able to take up for lack of funds and lack of properly trained men, also from the fact that it is to a large extent a local matter, it is not an interstate matter, and the Bureau of Markets has considered it wise policy to devote its main energies to matters of interstate commerce at the outset, taking up the more local phases of the subject afterwards.

Mr. WINSLOW. Have you in your acquaintance of dealers in meats, as such, any retailers who ever made what you might call fortunes and who have retired and live on their own income?

Mr. HALL. Very few.

Mr. WINSLOW. Do you think there are as many as there are men in other lines of business who are able to retire at 65 or thereabouts?

Mr. HALL. I fancy that the ratio is about the same in the meat business as in other lines of retail merchandising of perishable products.

Mr. WINSLOW. There is only one question I have left. Your unusual opportunity to know about all features of the meat business, directly and indirectly, has not, as I understand it, opened your eyes to the fact that anybody is pulling down any particular profit that he ought not to in connection with the production and distribution of meats?

Mr. HALL. I shall have to answer that, sir, by saying that it has not been the chief purpose of my work, so far, and the Bureau of Markets has not had the authority, nor the funds, to investigate

the profits of individual concerns or corporations, and, as I tried to point out this morning, we have been studying conditions and factors and methods and practices rather than profits, and consequently I shall have to refer you the Federal Trade Commission for an answer to the question, as I understand it, as far as the ratio of the profits which the different classes of distributors are taking out of the consumers' dollar. But I would not wish the answer to the question to carry the inference that as a result of the work of the bureau that I represent, we have no recommendations as to improvements which will correct the conditions that are now complained of. In a nutshell, the remedy that has impressed itself upon us, the way in which we seek to squeeze out the information to which you refer, and to prevent anyone from getting an excessive profit, without any special reference to who is getting more than he ought to right now, is to establish a supervision and a current market-information service that will restore confidence in the minds of the live-stock producers, which in turn will increase production and, other conditions being equal, will reduce the price in proportion to the increase in production.

Mr. WINSLOW. That is all I wish to ask, Mr. Hall.

The CHAIRMAN. Judge Sanders is next in order, if he wishes to inquire of the witness.

Mr. SANDERS. After listening to all of your testimony or statement, rather, I am convinced that you are opposed to the present bill. Am I right?

Mr. HALL. Substantially; yes, sir.

Mr. SANDERS. You propose, in lieu of the present bill, a law that will strengthen the Department of Agriculture so as to make its supervision more complete, its information more complete and accurate, and to encourage cooperation. Is that your idea of the legislation?

Mr. HALL. Yes, sir.

Mr. SANDERS. Have you reduced your idea of how to benefit the people, or has your department reduced your idea of how to benefit the people, in this controversy, to bill form?

Mr. HALL. No, sir; the Department of Agriculture is not a legislative body, of course, and I wish to say that I am not prepared or authorized to—

Mr. SANDERS (interposing). You could answer that, Mr. Hall, yes or no, and thus get along very rapidly. Have you reduced it to bill form?

Mr. HALL. No, sir.

Mr. SANDERS. The Department of Agriculture frequently sends to Congress its ideas in bill form, which if you do not know you ought to know, which I do know. Now, would it have been anything out of reason for this committee to ask you, through the Department of Agriculture, to reduce what it thinks would be for the benefit of the people of America to bill form and file it in your evidence?

Mr. HALL. I do not feel authorized to commit the department to a response to that question, Mr. Chairman. I will say I have no doubt the Department of Agriculture will be glad to confer and to submit any recommendations to any committee of Congress which requests them, but that, of course, as I understand it, should go as a request to the Secretary of Agriculture, who would have to act upon it.

Mr. SANDERS. You have given us, Mr. Hall, a great deal of valuable information and you have given us many valuable suggestions; you are the head of this bureau——

Mr. HALL (interposing). No, sir; I am not the head of the Bureau of Markets. I am merely in charge of the Live Stock and Meat Division.

Mr. SANDERS. In immediate charge of the Live Stock Division of the Bureau of Markets?

Mr. HALL. Yes, sir.

Mr. SANDERS. From your experience as that immediate head of the Live Stock Division of the Bureau of Markets, and in view of the suggestions that you have made here to the committee, which I consider are very valuable, would it be asking too much of your department to reduce your suggestions to bill form and to file them as a part of your statement, so that we might have in concrete form before us when we take up this bill just exactly what the Agricultural Department thinks would be of benefit to the entire people of the nation?

Mr. HALL. I do not think that would be an unreasonable request, and if this committee cares to call upon the Secretary of Agriculture for that sort of assistance, I am sure it will be gladly extened. May I add that I presume it is a matter of knowledge to all of you gentlemen that there is other legislation now before Congress which embodies other forms of procedure, other measures, and I do not hesitate to say that representatives of the Department of Agriculture have participated in the consideration of that legislation; have helped in every way possible where they have been called upon to advise concerning that legislation. I refer to the bill known as the Kendrick bill. I am sure that no request for advice of that kind would be denied any committee of Congress.

Mr. SANDERS. The Kendrick bill is a bill that was introduced by Senator Kendrick in the Senate, is it not?

Mr. HALL. Yes, sir.

Mr. SANDERS. Does that meet with the approval, in all of its parts, of the Agricultural Department?

Mr. HALL. To say that it meets the approval of the Department of Agriculture in all of its parts would be a very strong assertion, and I should not be prepared to go that far, but, so far as my position warrants me in speaking on the matter, I would say that I think that bill covers the recommendations that I have submitted to this committee this morning quite as effectively and completely as any other legislation—I should say more so than any other legislation—that has come to my knowledge.

Mr. SANDERS. To get your individual viewpoint then you personally prefer the Kendrick bill to the Sims bill?

Mr. HALL. Yes, sir.

Mr. SANDERS. Is that conclusion of yours likewise concurred in by the Department of Agriculture?

Mr. HALL. So far as I know, it is, sir.

Mr. SANDERS. In making this statement, do you reflect the views of the Secretary himself, or do you know what opinion he has in the matter?

Mr. HALL. It is my impression, though not through direct expression from the Secretary, that it does meet his general views.

Mr. WINSLOW. And you have no record of those who have succeeded?

Mr. HALL. We have a record of those who are now engaged in the business; so far as that is an indication of the number that succeeded, that is available.

Mr. WINSLOW. Do you regard the packing business as a hazardous business?

Mr. HALL. I do; yes, sir.

Mr. WINSLOW. More than the ordinary?

Mr. HALL. As compared with staple products, which can be stored indefinitely, I consider it equally as hazardous as that of any other perishable product, all of which, of course, are more or less hazardous. The hazards, however, have been very largely overcome through a high degree of organization and considering the facilities, the organization, and the equipment of the larger packing companies, I should not want to go on record as excusing unusually large profits on the ground of the hazard of the business.

Mr. WINSLOW. What is your idea of a normal profit on a million-dollar investment in the packing business?

Mr. HALL. I can only answer that in a very general way, of course, and I do not know that I ought to answer it at all.

Mr. WINSLOW. But you have tried to say it is too profitable in your judgment—has been—now, you must base that on some figures?

Mr. HALL. I presume you have in mind what percentage of profit?

Mr. WINSLOW. Yes; any way you want to explain it.

Mr. HALL. I hesitate very seriously to attempt to indicate a percentage or an amount that would be representative, because, as I said in following shipments of stock through the markets and the meat on to its destination we found such variable conditions that it, I think, would be practically impossible to strike an average and base any general conclusions on such an average.

Mr. WINSLOW. If you do not have anything in your mind as representative of what they ought to make, would you expect us to give full credence to your previous statement when you said you thought they were making more than they ought to?

Mr. HALL. That I should answer by saying that my previous answer was based on general impressions rather than on definite figures, and I did not undertake to say positively that profits have been inordinate under the circumstances. I gave it simply as a general impression. I do not feel competent to try to reduce it to figures.

Mr. WINSLOW. Did you ever pay too much for the meat you bought? I mean, did you have a mental reservation to that effect?

Mr. HALL. No, sir; I can not say that.

Mr. WINSLOW. Why do you not?

Mr. HALL. Well, because, for one reason, I think I know from my study of meats better how to pick out meat that is worth the money than the average householder, and I can not say that I am robbed any more on my meats at this time than I am on other things that I buy. For instance, I hear people complaining about paying 70 cents a pound for steak when I have no trouble in getting meat, perfectly good meat, for my family at 35 cents a pound.

Mr. WINSLOW. That is interesting. Maybe this will clear up the whole subject for the committee. Not to ask you where you buy it, but what is the secret of getting that 70-cent meat for 35 cents?

widespread among the stockmen of the country that it is not right and proper for the packers to own the stockyards, and while I am inclined to question seriously whether any great reduction in operating expenses or increase in efficiency can be accomplished through a change in ownership, nevertheless the fact remains that so long as the stockmen of the country are dissatisfied and suspicious, owing to that form of ownership, I think our troubles will continue to a certain extent until that is corrected.

Mr. SANDERS. You have already stated, Mr. Hall, if I quote you correctly, that you would be opposed to the railroads owning the stockyards and treating them as terminals. Did you not state that?

Mr. HALL. Yes, sir.

Mr. SANDERS. Now, with the railroads eliminated as the owners, and with the packers eliminated as the owners, who do you suggest as the owners of the stockyards?

Mr. HALL. I have no specific suggestion as to who should own them. The thought in my own mind has been that if by law the packers were divorced from the ownership of the stockyards, just as the railroads were divorced from the ownership of the coal mines, the matter of ownership would take care of itself. The stockyards have been profitable enterprises, and I believe that the public would absorb the capital stock of those institutions, and that local community pride would be sufficient to prevent the yards from going by default, you might say. I should judge that chambers of commerce and boards of trade of the various cities and market centers where these yards are located would see that capital was mobilized sufficient to take care of those yards, and that the management would then be put on an independent basis and the yards would be conducted as individual units.

Mr. SANDERS. Admitting now that we, all of us, are in perfect accord—in favor of the strictest governmental supervision over the stockyards; over every process of them, as a matter of fact—then what difference does it make who owns the capital stock of the stockyards?

Mr. HALL. I think, generally speaking, it would be easier to supervise the yards under the ownership of a large number of individual units than to supervise under the ownership of a highly organized corporation.

Mr. SANDERS. Is it any harder for the Government to supervise a national bank whose stock may be held by Armour et al. than it is for it to supervise a national bank whose stock is held by Sanders et al.; is not the supervision in the one case the same as the supervision in the other?

Mr. HALL. I do not know. I am not posted about the supervision of national banks.

Mr. SANDERS. No special supervision for one class of national banks as distinguished from another, is there?

Mr. HALL. No.

Mr. SANDERS. Here is a stockyards, let us say, at Fort Worth, that is owned by Armour, Swift, Morris, Cudahy, and Wilson. Now, the stockyards at Kansas City is owned by Hall, Sanders, Sims, Stephens, and Doremus. Suppose there is a law passed by Congress under which that stockyards is supervised and controlled in all its operations by the Agricultural Department. Can there or will there be

any difference in supervision at the Fort Worth yard as contradistinguished from that at the Kansas City yard? Will the ownership of the stock make any difference whatsoever in the supervision and control and regulation?

Mr. HALL. I think it is quite possible it would, sir; for the same reason that I judge it would be harder to supervise the oil business if it is concentrated as it is, I understand, very largely the policies determined from one office, one brain, and assuming that matters requiring supervision might be directed from a central office along lines which are not entirely in harmony with the supervision service—if you have to deal with 25 units directed from the same head, all of which are trying to accomplish the same purpose and, assume for the sake of argument, that that that purpose is not fully in accord with the purpose of the supervisory organization—it seems to me it would be easier to detect and to correct the manifestations of an opposing policy if your units are broken up into small ones or rather if your yards are organized under small units, than if they are all directed from the same head. I do not know whether I make myself clear or not, but the thought is that “in union there is strength” and that if a series of yards, which are being supervised, are being directed by a head that is not in harmony with the idea of supervision, I should anticipate more difficulty than if the same number of yards were being handled independently.

Mr. SANDERS. Your idea, then, is to legislatively provide that the packer shall not have any capital stock interest in the stockyards?

Mr. HALL. It seems to me desirable that that should be accomplished. I want to say that it seems to me that that is a very difficult—not only a very difficult legal question, but a difficult practical question—and I am not entirely satisfied as to the means or to the provisions of law under which that can be accomplished.

Mr. SANDERS. I am not either. I am not at all satisfied either as to the legal power, first, and second as to the practicability of the law even if it is passed, but it does strike me, and I want to get your viewpoint on this, that if we were to have the power, admitting now we have got the legal right and exercise that right in passing a bill that will prohibit Mr. Armour, Mr. Swift, and other packers from owning an interest of any kind in a stockyard, what is to prevent these gentlemen from owning the same stock interest indirectly that they own now directly.

Mr. HALL. If I recall correctly the Kendrick bill, it provides that they shall not own such stock, either directly or indirectly.

Mr. SANDERS. I understand it provides all that, but how are you going to read it? Suppose Mr. Armour, for instance, were to sell his stock to you, and all parties were willing to take the stand and swear it was a bona fide sale, that now you own all the stock. I might know that you do not own the stock, you might know it and Armour might know it, but how are we going to prove it.

Mr. HALL. I think that would come to light in most cases just as Armour's ownership of part of the Chicago stockyards came to light through the activities of the Federal Trade Commission.

Mr. SANDERS. That has come to light, but that is a very small proportion of that \$8,000,000 corporation, and the other proportion of the warrants have never yet seen the light of day. Is it not possible,

if the supervision is honest and efficient, and we are bound to admit that the Government official is going to do his duty otherwise the fabric of civilized government falls—is it not possible, admitting honest and efficient supervision, to control the stockyards' activities no matter who may own the stock?

Mr. HALL. I think it is possible to control them to a very large extent, and to a sufficient extent to accomplish substantially the purposes that we are seeking. The only difficulty remaining is the psychological one that I mentioned.

Mr. SANDERS. What effect would it have upon the treatment of the men patronizing the yards if Messrs. Armour, Swift, et. al. were to get rid of their stock and yet that stock would be retained in friendly, partisan hands? Would not they still get the advantageous treatment from their friends that they now get from themselves if they do get it?

Mr. HALL. I think so.

Mr. SANDERS. Then inevitably if we undertake to see that so-and-so shall not own the stock in a stockyard, because the owning of that stock gives him some advantage, do we not inevitably then shut out all the rest of the people from the ownership and get back to the one last, only alternative, Government ownership?

Mr. HALL. Assuming that no interest not friendly to the packer would take care of this stock, then we would have the two alternatives, either Government ownership or packers' ownership. Of the two evils, I should choose the latter.

Mr. SANDERS. Packer ownership?

Mr. HALL. Yes, sir.

Mr. SANDERS. Of the two evils, between Government ownership and packer ownership, you would choose packer ownership?

Mr. HALL. Yes, sir.

Mr. SANDERS. And that packer ownership you think could ultimately be controlled and regulated through Government supervision?

Mr. HALL. To a very considerable extent; yes, sir.

Mr. SANDERS. As a matter of fact, if it is to the advantage of the packer to own the stockyards, and if he were prohibited by law from owning the stockyards, and if he is as smart as popular imagination indicates he is, would he not see that his stock got into friendly hands, if we forced him to part with it, if it is to his advantage?

Mr. HALL. It is a fair guess to assume that he would try to do that.

Mr. SANDERS. That is all I have to ask.

The CHAIRMAN. I believe, Mr. Dillon, you come next in order.

Mr. DILLON. Mr. Hall, speaking about the tipping system. I want to go into that a little further. What phase does that cover? Does that take in the pens and the weighing and the feeding propositions?

Mr. HALL. Yes, sir; principally the assignment of pens for the yarding of stock.

Mr. DILLON. Does it cover any other propositions excepting the three that I have mentioned?

Mr. HALL. I do not recall any other cases of that kind.

Mr. DILLON. Has your bureau made an investigation of the weighing system that is in vogue at these yards?

Mr. HALL. We have made no special investigation. We are quite familiar with the system of weighing stock in large yards.

Mr. DILLON. Did you find in any of these yards a fraudulent system of weighing?

Mr. HALL. No, sir.

Mr. DILLON. That is, short weighing or long weighing?

Mr. HALL. We have found no general system of that kind.

Mr. DILLON. But you have found many instances of that kind?

Mr. HALL. We found instances of false weighing; yes, sir.

Mr. DILLON. What companies are guilty of those discriminations that you know?

Mr. HALL. One was the case of an individual weighmaster. I do not wish to implicate any company, but a weighmaster at the East St. Louis National Stock Yards was found guilty.

Mr. DILLON. By whom was he employed, if you know?

Mr. HALL. By the stockyards company.

Mr. DILLON. He was permitted to take tips that amounted to several thousand dollars a year?

Mr. HALL. That was done on his own initiative and he was discharged as soon as it was discovered.

Mr. DILLON. Then I understand that that individual, if he got paid for it, would give short weight. That is it, is it?

Mr. HALL. Yes, sir.

Mr. DILLON. Did you find that existing in any of the yards except in that one yard?

Mr. HALL. I think that is the only case that has come to our attention since the supervision of the yards went into effect last July. We have had complaints at different times of suspicion of short weights in the past two or three years, but, as I said this morning, our authority was not sufficient to enable us to go to the bottom of those cases, and I am sorry I am unable to give you any more definite information on that point.

Mr. DILLON. To what extent does the Bureau of Markets make balances to see that the scales are properly balanced each day?

Mr. HALL. So far as I know, our supervisors are not exercising that function at all.

Mr. DILLON. They do not exercise that function at all?

Mr. HALL. No, sir.

Mr. DILLON. Is there any department of the Government that does see that correct weights are used in these yards?

Mr. HALL. Not so far as I know. I understand that the Bureau of Standards has conducted tests, and some of the State officials have supervision over the condition of the scales. All of the stockyards companies make regular tests of their scales.

Mr. DILLON. They do that themselves?

Mr. HALL. They do that themselves. Our supervisors keep an eye on that sort of thing, but so far as I know, we have not handled the matter regularly. It just occurs to me, since you have mentioned it, that there is no reason why our men should not do that, and only because the work is so new, I think, we have not already undertaken it.

Mr. DILLON. Leaving the question of weighing now, take the use of pens. In what way would the person giving the tip get an advantage by getting a selected pen?

Mr. HALL. It is a decided advantage to put the cattle into pens that are near the scales, so that as soon as the stock is sold it may be gotten to the scales and weighed promptly, with a minimum of shrinkage, and in some cases pens are sheltered and are free from manure and are on alleys that are easily accessible to the shipping division, and that sort of thing.

Mr. DILLON. You say you found a person there that had made \$30,000 a year in this system of tipping?

Mr. HALL. No, sir; I mentioned the amount of \$30,000 that had been withheld by a commission firm from his consignors.

Mr. DILLON. You do not wish to connect that up with the tipping system?

Mr. HALL. No, sir; I stated that we had been told informally that this tipping system had cost some of the commission firms \$1,200 or \$1,500 a year or more.

Mr. DILLON. The \$30,000 that you referred to, that was a withholding from the consignor of what he was entitled to receive?

Mr. HALL. Yes, sir.

Mr. DILLON. How was that accomplished?

Mr. HALL. By deducting from the proceeds.

Mr. DILLON. Fictitious charges?

Mr. HALL. No, sir; it was not a matter of charges, it was simply deducting a small amount from the proceeds outright, and supposing that a carload of cattle had sold for \$2,050, he would remit \$2,040 or \$2,030. His books were kept perfectly straight, there was no trouble at all to find the discrepancy as soon as we examined his books, and his bookkeeper had instructions to make those deductions.

Mr. DILLON. Why has not the Government prosecuted those individuals who have thus embezzled the consignor's money? That is plain embezzlement.

Mr. HALL. I understand the matter has been put in the hands of the officials of the Department of Justice and that the district attorney has the matter in hand.

Mr. DILLON. Has there been any movement made looking to the prosecution of those people who have embezzled the funds of the consignors that you know of?

Mr. HALL. Yes, sir; as I said, if I am not mistaken, the case is pending in the local courts.

Mr. DILLON. Have indictments been found?

Mr. HALL. I am not able to answer that question definitely, but I shall be glad to put it in the record as soon as I can look up the question.

Mr. PARKER of New York. Those are local matters.

Mr. HALL. So far as criminal prosecution is concerned.

Mr. PARKER of New York. They would be under the jurisdiction of the State where it occurred?

Mr. HALL. Yes, sir. We have taken steps to revoke the man's license. He will no longer be permitted to do business under that license.

Mr. DILLON. You found one firm, then, of commission men, that had knocked down \$30,000 in one year through that system?

Mr. HALL. That covered a period of five years.

Mr. DILLON. Did you find any other commission men that were using similar methods?

Mr. HALL. Not so far as I know, sir, except in the feed account which I mentioned this morning. It has been customary, a sort of tradition in some of the markets, to charge two or three men for the same feed.

Mr. DILLON. Did that system run through all feed markets, this system of double charges for feeding.

Mr. HALL. We have not examined the books of the commission companies in all of the yards yet, but our accountant tells me it is quite a general practice, or has been.

Mr. DILLON. A general practice in all the yards?

Mr. HALL. A general practice in all the yards.

Mr. DILLON. Has your bureau ever examined into the methods carried on through the live-stock exchanges in the cities?

Mr. HALL. Yes, sir.

Mr. DILLON. Did you find anything there tending to show unfair methods?

Mr. HALL. Nothing of a specific nature, sir.

There is one complaint, one general complaint, that has been brought to us against the live-stock exchanges, in that they do not deal with certain classes of commission firms which are doing business in the yards.

For instance, the cooperative commission firms that have been organized by farmers, placed their representatives in the stockyards to sell stock, and the exchanges have refused to receive such firms into membership on the exchange, on the ground that they give rebates to their stockholders in the form of profits or dividends. It is against the rule of the Live-Stock Exchange to give any rebate in any form to their shippers, and on that ground they have refused either to take these cooperative commission companies into the exchange or to transact any business with them.

Mr. DILLON. They will not transact any business with a cooperative institution?

Mr. HALL. No, sir.

Mr. DILLON. Because they say that makes a rebate and that it deprives them of their commissions, hence they decline to deal with them in any way? That is right, is it?

Mr. HALL. Yes, sir.

Mr. DILLON. You spoke, in answer to a question propounded by Mr. Winslow, you said there was horse meat sold upon the market. Is that shipped in interstate commerce, or is it purely a local sale?

Mr. HALL. So far as I know, sir, it is a local matter entirely.

Mr. DILLON. A local sale?

Mr. HALL. Yes, sir.

Mr. DILLON. Did you discover any interstate shipments of horse meat in your investigations?

Mr. HALL. We have not made a comprehensive investigation of the shipment of horse meat. I do not happen to know of any interstate shipments at all. There might be.

Mr. DILLON. In these places you have spoken of, in which horse meat is sold, what device is used, if any, to inform the purchaser as to the character of meat he is buying?

Mr. HALL. The municipality requires a sign indicating that horse meat is sold in the market.

Mr. DILLON. Is the sign placed upon the block with the meat?

Mr. HALL. If I am not mistaken it is placed before the market. No other kind of meat is permitted to be sold in that market.

Mr. DILLON. Then it is an independent market where horse meat only is sold.

Mr. HALL. Yes, sir.

Mr. DILLON. How many cities do you find where they have independent horse meat markets?

Mr. HALL. I shall have to look up the records to answer that definitely, but I think not over four or five cities in the United States.

Horse meat is sold in Portland (Oreg.), Cleveland, Milwaukee, New York City, Toledo, St. Louis, Seattle, and Omaha according to information received by us.

Mr. DILLON. So every purchaser in the cases investigated had knowledge they were buying horse meat?

Mr. HALL. Yes, sir.

Mr. DILLON. You know of no instances where there were interstate shipments that would violate the pure food laws in reference to branding?

Mr. HALL. I do not happen to know of such instances. I would not say there were not such. That comes under the Bureau of Animal Industry rather than ours, sir.

The CHAIRMAN. Mr. Parker, have you any questions?

Mr. PARKER of New York. Mr. Hall, you said that in your publicity department or bureau that you gave the fluctuation of the retail prices in 17 different cities each day. Has it affected the livestock market at the big centers like Chicago? For my personal information I would like to know about what is the range of fluctuation.

Mr. HALL. May I just correct you as to the daily retail prices? It is the wholesale prices we quote.

Mr. PARKER of New York. Well, the wholesale prices. I meant to say wholesale prices. What is the range of fluctuation from day to day in the wholesale prices of meat, for instance, in New York?

Mr. HALL. A fluctuation of a cent a pound is considered a large fluctuation.

Mr. PARKER of New York. Did that take place from day to day?

Mr. HALL. There have been instances in which it has fluctuated a dollar, sometimes in an unusual instance, \$3 a hundredweight.

Mr. PARKER of New York. You commenced this service on the 1st day of February, 1917, and of course for the last four years conditions have been abnormal on account of the tremendous export. Do you not think those fluctuations were perhaps governed as much by the amount of meat that was exported as by any other element?

Mr. HALL. No, sir.

Mr. PARKER of New York. I mean to the wholesaler.

Mr. HALL. The daily fluctuations?

Mr. PARKER of New York. Yes.

Mr. HALL. No, sir; I scarcely think so, because the exported meat have been delivered on contracts which were made covering a month's time, and I scarcely see how that would affect it.

Mr. PARKER of New York. Well, I meant as it affected the supply and demand. That is what I meant to imply.

Mr. HALL. No, sir; those fluctuations have been due primarily to temporary variations in the supply of meat locally.

Mr. PARKER of New York. Yes; that is exactly what I meant.

Mr. HALL. And that is quite independent of the export movements of meats.

Mr. PARKER of New York. You also mentioned the tremendous amount of frozen meat that was on hand at the present time. That is, of course, entirely due to war conditions, is it not, the unexpected termination of the war in November?

Mr. HALL. I think so.

Mr. PARKER of New York. When we expected the war to go on until next summer?

Mr. HALL. Yes, sir.

Mr. PARKER of New York. Now, these commission men, do they sell by the pound or by the head?

Mr. HALL. By the hundredweight.

Mr. PARKER of New York. So it is to their advantage to have an animal weigh as much as it can? I mean the more an animal weighs the more the commission men get?

Mr. HALL. No, sir; don't misunderstand me. The rate of commission charged by the live-stock commission men is per carload. The price of the animals is per hundredweight, but the rate of commission is based on the carload. They receive so much per carload for selling live stock.

Mr. PARKER of New York. Then, in other words, it is sold by the head? I mean the commission is based on the head and not on the weight?

Mr. HALL. So much per head, with a minimum and a maximum per carload. However, it is to their advantage to have the animals weigh as much as possible in order that the returns to the shipper shall be more satisfactory.

Mr. PARKER of New York. Yes; but I was simply getting at the possible reason for the improper quotations that you said had been customary before this was taken over by the Federal Government, and I wanted to be clear in my own mind who would get the largest benefit out of the improper quotations, the commission man or the big packer. To whose benefit would it finally accrue, the improper quotations?

Mr. HALL. It would benefit the commission man first of all, and it would be a benefit to the big packer who buys a certain proportion of his stock direct—that is, who has the hogs shipped direct to his plant and the prices “marked up” there. There is a proportion of the hog supply that is marketed direct to the packing plant and does not pass through the stockyards. It is on that proportion of the supply that the packer benefits.

Mr. PARKER of New York. Is there any particular connection between the commission men and the big packer, to any extent? Do they buy any large percentage of their stock from the commission men, or don't they, as a rule, have their own buyers?

Mr. HALL. The stock that is sold in the stockyards—the stock that is bought by the packers in the stockyards is bought almost exclusively from the commission men.

Mr. PARKER of New York. Oh, is that so? Well, I was simply wondering whether there was collusion between the big packers and the commission men?

Mr. HALL. I know of no specific instances of that kind. It ought to be said, however, that the commission man has his office at the stockyards in the building that is owned by the packer, and he is by virtue of that fact a tenant of the packer. He rents his office from the packer.

Mr. WINSLOW. Is that correct, that he has his office in the building owned by the packer?

Mr. HALL. In the building owned by the stockyards; but if the stockyards are owned by the packer, the commission man is virtually a tenant of the packer.

Mr. WINSLOW. That isn't exactly the fact, then, that he is a tenant of the packer.

Mr. PARKER of New York. There is one more question that I want to ask you on a statement that has been made here many times. Take, for example, a \$200 steer, a steer that is sold in the open market for \$200. Now, when the edible part of that steer is taken, the edible meat in the steer, it has been stated it will not bring \$200 to the purchaser. Do you think that is true?

Mr. HALL. That is true normally; yes.

Mr. PARKER of New York. I mean normally, of course. I don't mean to take every case, but normally that is true? That, in other words, the man who buys this stock has got to look for his profit in by-products?

Mr. HALL. Yes, sir.

Mr. PARKER of New York. Where in the first instance, of course, your steer was raised for the meat?

Mr. HALL. Yes, sir.

Mr. PARKER of New York. But your ordinary packer, be he a large packer or a small packer, does not get as much out of the carcass when the meat is sold as the steer originally cost him?

Mr. HALL. That is generally true; yes, sir.

Mr. PARKER of New York. I have heard that statement made here so often that I wanted to ask some impartial witness if they concurred in that statement.

Mr. HALL. Quite true. And you will find specific figures on that point in Report No. 113 of the office of the Secretary of Agriculture.

Mr. PARKER of New York. I have heard it made so often that I simply wanted to verify the statement. That is all I have.

Mr. SWEET. Now, Mr. Hall, you are reasonably familiar with the market conditions at the stockyards, are you not, throughout the country?

Mr. HALL. Yes, sir.

Mr. SWEET. It is generally known that the principal market days at the stockyards are Monday and Wednesday. Now, the fact that those are the principal market days, is that a detriment to the producer in marketing his product?

Mr. HALL. Yes, sir; it has been. The two-day market system, however, has been very materially corrected during the past year or two.

As I stated this morning, in your absence, Mr. Sweet, formerly 85 per cent of the receipts, approximately, were received at Chicago on Mondays and Wednesdays, but as a result of the information which has become available through our live-stock loading reports, a zone system has been perfected whereby receipts on Mondays and Wednesdays have been cut down to about 50 per cent of the week's receipts, and a more even distribution on the other three days secured.

Mr. SWEET. So at the present time, through the influence of the Bureau of Markets, you really have five market days instead of two?

Mr. HALL. Yes, sir.

Mr. SWEET. For instance, a man in shipping beef to Chicago arrives there at, say, 6 or 7 o'clock in the morning, and by the time he gets his stock unloaded and gets them into the sales pen it is about 12 o'clock. Now, there is a period in there of some five or six hours, in which the cattle shrink, and in which he has got to take care of them. Isn't that a detriment?

Mr. HALL. A very serious detriment.

Mr. SWEET. To the man who wishes to market his stock?

Mr. HALL. Yes, sir; it is.

Mr. SWEET. Has that been remedied in any way?

Mr. HALL. It is a matter that is receiving very careful and specific attention just at this time. At Chicago the officer of the Railroad Administration who is in charge of the terminals is to hold a meeting next Friday at which an attempt will be made to revise the schedules of stock trains entering Chicago with a view to getting the trains in during the night and getting the stock unloaded, so that the market can be conducted in the daytime. That already has been taken care of at Kansas City to a considerable extent and is receiving further attention there at this time. At Omaha the conditions are not so bad. But that is largely a matter for the attention of the Railroad Administration, and I am glad to say that, through the live-stock committee, Mr. J. L. Harris, chairman, very careful attention is being given to it at this time.

Mr. SWEET. You, then, believe there is no necessity for any legislation along that line?

Mr. HALL. No; I think it is a matter of operation.

Mr. SWEET. And do you believe that that can be remedied through the Bureau of Markets and through the Railway Administration?

Mr. HALL. Yes, sir; I am confident that it can, and we have instructed all of our market supervisors to cooperate with the local officials of the Railroad Administration to that end.

Mr. SWEET. What method have you for the accumulation of information as to the amount of live stock and the condition of live stock on the farms that is ready for market?

Mr. HALL. The Bureau of Crop Estimates is chiefly responsible for the collection of information regarding live stock on farms and ranges, and they issue periodical reports—they have for two years past compiled monthly figures, in addition to the annual reports they have issued for many years.

Mr. SWEET. How large a force do they have, do you know?

Mr. HALL. They have local correspondents aggregating, I think, some 40,000, who furnish estimates of that kind. In addition to that,

the Bureau of Markets through an arrangement with the Bureau of Crop Estimates have been reporting the movements of live stock in and out of certain well-defined feeding districts, such as the Lancaster, (Pa.) district, the Arkansas Valley of Colorado, the Fort Collins lamb feeding district, the Flint Hills of Kansas, the Sand Hills of Nebraska, etc., in order to show the number of certain specified classes of live stock on feed or on grass in those districts; and we publish that information weekly for the information of the entire live-stock industry.

Mr. SWEET. And it is disseminated, then, throughout the country in that way?

Mr. HALL. Yes, sir; and that project is just in its infancy. I am sorry to say that it will be necessary to abandon it entirely unless adequate funds are provided for it. If the appropriation bill as it stands now for the Department of Agriculture is passed we will have to abandon that work intirely.

Mr. SWEET. Because of lack of funds?

Mr. HALL. Because of lack of funds; yes, sir.

Mr. SWEET. What is the Bureau of Markets doing by way of educating the farmers and producers of live stock to properly market their products?

Mr. HALL. We have State field agents in marketing located in various States—I will be glad to put the exact number in the record. The number is 22. The duties of these men are to work through the county agents and keep them supplied with current market information issued through our telegraph information service, and of course our bulletins that are issued as rapidly as investigations are completed go to all farmers who apply for them.

Mr. SWEET. Now, how do you reach the farmer, in what practical way, so as to acquaint him with market conditions and show them that it would be to their advantage to market their products on certain days and at certain times?

Mr. HALL. We have a mailing list of 20,000, which is supplied from 17 branch offices, extending from one coast to the other. These are daily and weekly and monthly mailing lists, depending upon the class of reports involved, and a large percentage of the names on that mailing list are farmers—about 50 per cent, I think, are live-stock producers. I spoke this morning of the live-stock loading report, for instance, which gives near-by shippers—that is, shipper located within 24 hours' haul of a market—information as to what is coming from a distance, so that they can regulate their shipments accordingly. That, we think, has had a material effect in equalizing the movement of stock to the markets. Also a large part of our current telegraphic market information reaches the stockman, the farmer, through his commission firm. The commission firms use our information to a great extent in making up their market letters and in the telegraphic advices which they send to their clients.

Mr. SWEET. Do you find that the farmers are willing to cooperate with you in this work, willingly?

Mr. HALL. Yes, sir; we find a very gratifying disposition among the farmers to work with us and to use the information.

Mr. SWEET. Is your work connected in any way with the various agricultural colleges throughout the United States?

Mr. HALL. It is; yes, sir. We have as our consulting specialist in marketing live stock Prof. Mumford, head of the animal husbandry department of the University of Illinois. We have used as temporary employees during summer vacations some of the young men from the animal husbandry departments in colleges, and just yesterday I approved a request from the Colorado Agricultural College for one of our men in the Denver office to come up there and give some lectures on the marketing of live stock. We are in constant correspondence with the various agricultural colleges throughout the country, and cooperating with them very fully in that way.

Mr. SWEET. Do you believe it is necessary to have any legislation at the present time in order to assist in the marketing of products?

Mr. HALL. I presume it will be proper to include in the answer to that question the improvement of conditions at the central markets, Mr. Sweet. I think the legislation that is needed now for the better marketing of products is that which will deal with the centralized markets and with the transportation of live stock and of meats. If I interpret your question correctly, that would be my answer to it.

As to local marketing, I think the extension of the department's field organization, looking to the better education and aid of the farmers, is essential.

Mr. SWEET. What I am getting at is, if there is any legislation that you can suggest at this time which would be of assistance to the farmers and the producers in the marketing of their live stock in connection with your bureau?

Mr. HALL. Although I am not directly associated with this State extension work that we have just been speaking of, I am under the impression that funds are needed for the further extension of that State and local service.

Mr. SWEET. The main question, then, is ample funds rather than any more legislation?

Mr. HALL. Yes, sir.

Mr. SWEET. I think that is all.

Mr. STINESS. Just one question, Mr. Hall. I did not have the pleasure of hearing your testimony this morning. Are you in favor of this bill?

Mr. HALL. No, sir.

Mr. STINESS. That's all.

The CHAIRMAN. Mr. Hall, do you not regard the furnishing of the facilities for transportation by railroads as germane, essential, dependent upon the service of transportation—I mean cars and engines?

Mr. HALL. Yes, sir.

The CHAIRMAN. And that it is the duty of the transportation company to furnish all the facilities of transportation that the traffic offered the railroad requires, in order to perform that service?

Mr. HALL. Yes, sir.

The CHAIRMAN. Don't you think that is inherent in the service of transportation?

Mr. HALL. Yes, sir.

The CHAIRMAN. And that it is not a complete service without it?

Mr. HALL. Yes, sir.

The CHAIRMAN. Well, do you not think that transportation companies can, in and of themselves, furnish all that which the natural

and legal and moral obligations impose on them in the way of transportation facilities?

Mr. HALL. You are speaking of the transportation of fresh meat!

The CHAIRMAN. Transportation facilities; all that the traffic requires.

Mr. HALL. I doubt the practicability of adequate service on the part of the railroads in the furnishing of refrigerator cars for the transportation of perishable products.

The CHAIRMAN. Then, you don't regard it as an obligation of transportation companies to furnish all the facilities required for the several kinds of products offered them for transportation, for fresh meat is a product, and traffic in it in interstate commerce is exceedingly important to the public? Now, you hold that they can not adequately do that which moral obligation, legal obligation, and inherent obligation puts on them?

Mr. HALL. To make myself clear let me say that I think it is an obligation, it should be an obligation, upon the transportation companies to furnish adequate facilities upon demand for the transportation of any product. What I meant to convey by my last answer was that I do not think it would be practicable to place in the hands of the railroad companies—that is, to place in the ownership of the railroad companies—all of the cars used for the transportation of perishables. That is to say, I think that the private car line is an essential adjunct to the successful transportation of perishable products, not merely meat, but vegetables or any perishable.

The CHAIRMAN. Then you lead to the inevitable conclusion that our transportation companies are incapable of rendering the best transportation service in all respects, touching commodities which they move, or traffic which they are called upon to move?

Mr. HALL. I think that is correct with regard to perishable products; yes, sir.

The CHAIRMAN. Then our transportation systems as at present operated can not and do not render all the service that transportation requires, so far as fresh meats are concerned; that is your conclusion, is it not?

Mr. HALL. They do not furnish all of the facilities that are required; that is true.

The CHAIRMAN. Then it is the lame, halting, imperfect transportation system that does not furnish all the necessary inherent and essential transportation facilities. Is that not true?

Mr. HALL. No, sir; I shouldn't draw that conclusion, because, to take a parallel case, the fact that the transportation companies do not and can not furnish adequate sleeping-car facilities for the accommodation of the patrons who apply for such facilities does not indicate to me that we have a lame and halting transportation system; it simply indicates that the nature of the business is such—

The CHAIRMAN (interposing). Do you arrive at the conclusion that a railroad company can not, in and of itself, furnish sleeping-car facilities to passengers that want to pay the additional sleeping-car fare?

Mr. HALL. I am of the opinion that it would not be a practicable system, because there are so many small lines covering but short distances, that an attempt to operate such cars by those lines would, I think, lead to a great deal of confusion and delay.

The CHAIRMAN. Aren't you setting up a man of straw in order to knock it down? On these little short lines there is no demand for sleeping-car service.

Mr. HALL. If that is true, then your conclusion is correct.

The CHAIRMAN. Now, do you hold that as a facility of transportation the railroads can not, if they saw proper to do so, own and operate their own sleeping cars, just as good and just as comfortable and just as luxurious as are now offered by the Pullman Co.?

Mr. HALL. Some of the trunk lines, no doubt, could—possibly most of them could—but I don't think that the sleeping-car service would be nearly as satisfactory to you and me as it is now.

The CHAIRMAN. Then, do you hold that that portion of the service of the stockyards that pertains exclusively to transportation can not be furnished by the railroads and be just as good as if furnished by the privately owned companies? I mean the transportation part of it, not the hotel features and the marketing features and the packing features—in other words, the local business part of it. I am talking about the moving of the cars to the stockyards and unloading and the reloading, or the reloading of cattle sold there for shipment. What is the reason the railroads can't own and operate as a proper terminal facility stockyards for that part of the service?

Mr. HALL. Because there are so many lines entering these yards that it would require joint operation in any case.

The CHAIRMAN. Wouldn't it be railroad operation after all if it is owned by the railroad? Don't the railroads jointly own the terminal company here in Washington City, the terminals? Aren't they a joint terminal that every railroad can enter?

Mr. HALL. Quite true.

The CHAIRMAN. I mean the cars.

Mr. HALL. True; but here we have two railroads, but entering the Chicago stockyards there are some 25 or 30, which makes it a very much more complex situation.

The CHAIRMAN. Well, there is a railroad in connection with the stockyards—I don't remember the name of it.

Mr. HALL. The Chicago Junction Railroad Co.

The CHAIRMAN. The Junction Railroad Co. is owned by the stockyards company, and it connects with the trunk-line railroads.

Mr. HALL. Yes, sir.

The CHAIRMAN. What is the reason a junction railroad company could not be owned by the railroads if they owned the stockyards?

Mr. HALL. I know of no reason why it could not.

The CHAIRMAN. And isn't it just as natural and as much of a transportation facility as the stockyards are anywhere else? I don't mean the marketing features of it. I am talking about the transportation service of it and the terminal service portion of it that the could not be performed in connection and control? The railroads used to own cargo—those very identical railroads—is. Now, I can't see for the life of it to me—why the legitimate terminal service can not be performed by railroad companies. Now, do you see any

Mr. HALL. The difficulty, I fear, in that respect, Mr. Chairman, is that the responsibility would be so scattered that the organization would be somewhat cumbersome and responsibility would be difficult to locate.

The CHAIRMAN. Isn't there a belt line all around the city of Chicago, owned by three railroad companies, that does this belt-line or local railroad service?

Mr. HALL. I think so.

The CHAIRMAN. Now, I can see why a railroad company, or a government itself, a federal government—I can see at once why they should not, so far as an inherent feature of transportation is concerned, own the selling and buying features of the stockyards: in other words, where the cattle are sent for sale, where purchasers go to buy them, and the banking features connected with it, or a hotel or anything of that sort, being a purely local service and not rendered as a portion of transportation and not absolutely necessary to transportation—I see no reason why the railroads should own that, or the Government should own it, or the city or State government should own it, but neither can I see any reason why the railroad company can not own the transportation facility of it, and then private capital, private companies, local or otherwise, could own the rest of it—I mean own such portion of it as is devoted to the buying and selling feature of it, the pens, and so forth. Now, isn't that practical and isn't it possible?

Mr. HALL. I think that that is one alternative that might be adopted, Mr. Chairman, and possibly as a part of the general reorganization of the entire market system that feature is well worthy of consideration.

The CHAIRMAN. Well, the large packers here, some of them, have said they had no objection whatever to the Government owning the stockyards if it would give them as good service as they now receive from the privately owned stockyards, and nearly all of them that owned any stock in a stockyards company said they had been solicited to own it in order to build up a market there, and it was not simply that they wanted to do a stockyards business. Now, if there is, as you said, sort of a general opinion throughout the country that packer-owned stockyards is a discriminating packer favoritism, and if you can turn it over to the railroads—I mean the transportation features of it—I can't see why, inherently and logically and economically, it is unwise or impossible to perform that function in that way.

Mr. HALL. I see no special or serious objection to that proposal, Mr. Chairman.

The CHAIRMAN. Well, that is two features of the bill covered—one the special-facility cars—refrigerator and meat cars—and that has been very fully discussed before the committee, and the claim all the time was that the large packers could furnish and did furnish special men to render special service in connection with those cars, which of itself enabled them to get a better service than they apprehended they would or could get if they didn't have that privilege—and I can see that it is perfectly natural—and that they were afraid that the railroads would not, if they owned all the cars, give the special attention that they give, and therefore it would be a deteriorating service to that extent. Yet they claim, when you begin to say, "How can any packer not able to own cars compete with you?" Then they say,

"Let the Government buy the cars and furnish them." They are not afraid of Government ownership or Government operation where they can not use it to their profit, but they are terribly afraid of it where it will get in the way of some profit-making investment. That is human nature. That is selfishness and an enlightened selfishness.

Now, therefore, you say that you are in favor, as between two evils, of Government ownership—by which I mean State or municipal, not central Federal Government ownership, but municipal or State government ownership evil—that psychologically at least, between the packer ownership of the stockyards evil and the Government ownership evil you are in favor of the packer ownership evil. Wasn't that what you said?

Mr. HALL. Yes, sir.

The CHAIRMAN. Therefore you regard them both as evils. Public ownership of the stockyards is an evil and packer ownership of the yards is an evil, but you don't suggest anything to get away from these evils. Why is it essentially necessary for stockyards ownership to be an evil?

Mr. HALL. My statement in answer to one of the Congressmen this morning was along this line, which also is provided for in the Kendrick bill, Mr. Chairman.

The CHAIRMAN. I am not familiar with the details of the Kendrick bill.

Mr. HALL. It is intended to place the ownership of stockyards in independent hands.

The CHAIRMAN. That is, in neither the packers' hands, nor the railroads' hands, nor the public or Government's hands?

Mr. HALL. In the hands of the general public; yes, sir.

The CHAIRMAN. Put in the hands of the general public?

Mr. HALL. Yes, sir.

The CHAIRMAN. How do you get it into the hands of the general public? I mean, what is the Kendrick bill's theory for getting the ownership of the stockyards into the hand of the general public?

Mr. HALL. Simply prohibiting railroads from unloading stock at any yards which are owned in whole or in part by any packer; giving two years' notice before the law becomes effective, so that ample time will be provided for disposing of the capital stock.

The CHAIRMAN. Of their holdings?

Mr. HALL. They might be purchased by railroads; they might be purchased by private individuals or syndicates, or in any other way. And the purpose is simply to divorce the packers from the ownership of the stockyards.

The CHAIRMAN. But they must not be owned by the municipality

sion, so far as I know, pertaining to

ning preventing that, but it does per-
hem?

our opinion that the railroad owner-
be advisable or economical?
ieral proposition.

The CHAIRMAN. That is the only way you can judge of any proposition, in its general terms. There might be an exception to any general proposition or rule.

Mr. HALL. Yes, sir.

The CHAIRMAN. I have no interest in the world except to try to do what is best for the whole country, at both ends of the line, both the producer and the consumer, and not to rob or hurt anybody, and if it can only be done in the way it is now done, and it is to the interest of the whole public to do it that way, I should feel that I was unpatriotic not to vote for it. The whole country is larger than any part of it, but it seems that the influence and power that the packers have under present conditions is such that if they have a mind to do it they can convert what they are now doing into almost an absolute monopoly. Now, why, if as they claim—and I don't question it—that they are losing hundreds of millions of dollars in furnishing their special facility cars and operating them—hundreds of millions—well, they can't lost hundreds of millions in some lines of their business if they do not make it back somewhere else; and they say that it is necessary for the proper performance of the service, that it is necessary in order to transport fresh meats while they are fresh to the consumer to have these special facility cars. If that is absolutely necessary, it certainly does give them an inherent, logical, inevitable advantage over any packing concern to compete with them in the same market who is not able to own and operate such cars at a loss.

Now, what we ought to do I do not know, but I believe that it is something beyond mere regulation. It should go beyond mere supervision, and if it does not I fear the money power of these great packing companies will lead naturally, logically, and inevitably to a monopoly by, in effect, acting together, and what I mean by acting together is not by agreement, as that will not be necessary. But if they all do the same thing just the same way, and nobody can compete with them except each other, and they carefully avoid that by having their plant capacity less than the entire country requires, I would like to have some wise gentleman, like yourself, or the Secretary of Agriculture, who has given this special consideration and special attention, to think along these lines. I don't ask you to draw a bill. I know how difficult that is. There is usually a way to prevent anything from being done, but after we are fully determined upon what we ought to do, certainly we could put it into legislative form. There is no doubt about that, but it seems to me that we have got some fundamental, inherent difficulties to contend with. If the railroads are incapable of performing the service of transportation and meet the demands of all the patrons of the roads, they have no right to further engage in the transportation business; and if the packers, the big packers or the little packers, or all combined, can perform a material, inherent, and necessary special transportation service for the good of the whole United States better than the transportation companies can do it, that it would be economically wise to turn the whole transportation business over to the them and take it away from the present owners of the railroads and let them own and operate it in the interest of all the public, so that the public may get the best service out of these public utilities. And I want to say

too, and I say it very frankly, and I say it because I mean it, that I think your testimony here to-day has been valuable to the committee. You have given us information—at least to the chairman—that we did not before have; and I have no doubt that you are just as patriotic and just as honest in the service you are rendering and in the conclusions that you have reached as the Federal Trade Commission, another government body, and that you are all honest and all trying to do the best thing you can, without in the doing destroy an established essential industry of the country; and beg to thank you very much on the part of the committee for the valuable information you have given us.

(Whereupon, at 4.15 o'clock p. m., the committee adjourned until 10.30 o'clock a. m. Tuesday, February 11, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Wednesday, February 12, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order. Mr. Heney will appear to-day. To-day was set apart for Commissioner McChord, but by agreement between Mr. Heney and Commissioner McChord, Mr. Heney is to take to-day, as he has to leave for San Francisco to-night.

STATEMENT OF MR. FRANCIS J. HENEY, 1109 TITLE INSURANCE BUILDING, LOS ANGELES, CAL.

The CHAIRMAN. Mr. Heney, you may make your statement in your own way as to such matters as you think proper concerning the bill and the hearings before the House committee.

Mr. HENEY. Mr. Chairman——

The CHAIRMAN (interposing). I believe you are representing at this time a number of associations; I mean live-stock associations.

Mr. HENEY. I came here, sir, at the invitation of that association. They paid me a nominal fee to remain here a brief period of time which was specified and which has long since passed, and I remained——

The CHAIRMAN (interposing). I understood from your letter that you did represent them.

Mr. HENEY. Yes. I have remained here since because the Senate Agricultural Committee invited me to examine some witnesses there.

The CHAIRMAN. And your letter also stated that you wished to make some statement with reference to what has been said before the committee touching the Federal Trade Commission's investigations while you were acting as attorney for that commission. You may proceed and make your statement in your own way, and when you have made your statement in chief the members of the committee may want to ask you some questions.

Mr. HENEY. My desire to appear here is based very largely upon the fact that a very virulent attack has been made upon the Federal

Trade Commission's methods in conducting this investigation, and upon me personally for my part in it, and I feel that the committee is entitled to know just what was done, and I think it would throw some light upon it if I would first state to the committee what viewpoint I had when I undertook the investigation.

I am commonly referred to as a prosecutor. As a matter of fact I have been practicing law 36 years, and during only 5 years of that time did I have anything to do with criminal law. In 1904. I did not own a book on criminal law and did not intend to ever try a criminal case, and had refused to accept any. But at the urgent solicitation of Attorney General Knox, I went to Oregon to try a case which was to take two weeks, and during the trial some facts developed which led me to believe that it was my duty to undertake an investigation there, if he desired to have me do it, with the result that I was tied up for two years, when I had a large law practice built up at the time in San Francisco, which was almost exclusively corporation business, and entirely civil business.

At the end of that period, I undertook some prosecutions in San Francisco, because after the fire I was still in these Oregon cases, and after the fire conditions arose there which led some of the citizens to get together and urge me to undertake to clean up the city.

I volunteered my services, worked without compensation, thinking I would get through in six months at least; and it took three years. and for my pains I received violent abuse from newspapers, all sorts of accusations, and the corporation heads who were involved under indictments spent thousands of dollars in trying to gather information with regard to my past history from the time I was born, for the purpose of trying me instead of themselves.

I had met with the same experience in the prosecution in Oregon, which was denounced as political. The newspapers of the State had abused me violently from the beginning to the end of it. I was called a Democrat who had come there to try to disrupt the Republican Party, because it happened that the men who were under indictment, most of them, were Republicans, although one or two or three were Democrats.

In San Francisco it was the old story where the corporations, the public utility corporations, not already involved in bribing supervisors, just the minute the indictments reached them, one newspaper after another fell away from the prosecutions because of the large expenditure of money made by those corporations and the cry was made that it was a private prosecution; that the gentlemen who were furnishing the money for it on the outside wanted to acquire the street railroads. The charges were baseless, but they furnished the excuse for arousing public opinion.

So that I knew if I undertook the investigation of the packers and commenced to develop any evidence that aroused their resentment I would be again subjected to attack and villification from every quarter. I went into it with my eyes open. I went into it with the full determination on my own part that I would have nothing to do with any criminal prosecutions if any came out of it.

Nine years ago when I finished with the San Francisco graft cases I made up my mind that prosecuting is doctoring symptoms; that the only real remedy for economic evils, and most of the bribery that

occurs in large cities and in States and in our Nation in connection with legislation, has what might be called economic evils at the base of them, and I made up my mind that criminal prosecutions will not cure and not even alleviate the trouble; and that I personally would never have anything more to do with it.

As a result of that, when I first came to Washington, in December of 1916, with the electoral vote from California to be delivered here for Mr. Wilson, I was asked by the Federal Trade Commission to undertake the writing of a report or to aid them in writing a report on an investigation they had been making of the newsprint paper manufacturers. Shortly after becoming indentified with it, I was called on by John Barton Payne, who was attorney for some of the manufacturers, and two other attorneys, a Mr. Montague, and I have forgotten who else, and as a result of our talk, they signed an agreement or had their principal sign an agreement to permit the Federal Trade Commission to determine the price for newsprint paper for one year. They had had a meeting a few months before that at Chicago at which that had been proposed by the publishers and refused by the manufacturers. I told Mr. Payne and Mr. Montague very frankly I did not believe criminal prosecutions were going to succeed in accomplishing anything.

Mr. MONTAGUE. Will you pardon me one moment. What is the name of the Mr. Montague and where does he live?

Mr. HENNEY. In New York. He was interested in the——

Mr. MONTAGUE (interposing). What are his initials?

Mr. HENNEY. He was interested——

Mr. MONTAGUE. I do not ask what he was interested in, but what were his initials?

Mr. HENNEY. Gilbert H. Montague.

Mr. MONTAGUE. I just want the committee to understand that it is not the gentleman who is now interrogating you, because I happen to be a Mr. Montague also, and I just wanted the identification to be straight in the record. I have no doubt Mr. Gilbert H. Montague is a fine man.

Mr. HENNEY. Yes. I merely wanted to say that throughout I contended for this sort of a settlement which would have nothing to do with criminal prosecutions; but the Department of justice finally took a different course in the matter, and the thing was overthrown, and I went home.

I was then asked by the Federal Trade Commission later if I would come and conduct the investigation which had been directed to be made by President Wilson or which he had directed the Federal Trade Commission to make, and I came, reaching here early in July.

The CHAIRMAN. 1918?

Mr. HENNEY. 1917, Mr. Chairman. I looked upon it as an economic investigation; but that involved the question, of course, as to whether or not there was any combination in restraint of trade, whether or not there had been any manipulations which were unlawful, and that would have to be taken into consideration in reaching a conclusion as to what remedy, if any, should be applied.

No public hearings were held until December 20. The plan of operation was that we had some, I think, 20 bookkeepers on the books of the packers. They did not attempt to look at any of their correspondence files. This work was being conducted under the di-

rection of Mr. T. M. Robertson, an economist, who is employed by the Government under the Federal Trade Commission; and then there were quite a number of men we called field men who were out interviewing in the field.

I took charge of the work of those men and directed it from Washington. We sent men into California, Oregon, the State of Washington, Texas, the New England States, different parts of the country, getting what information they could by interviewing commission men at the stockyards centers, small packers, butchers, wholesale and retail, making a study of marketing as well as of the distribution end.

The Federal Trade Commission, I should say, had reached an understanding with the Agricultural Department, the President having directed it to cooperate in his letter of instructions, that the Agricultural Department would take up the question from the ranch to the stockyards, and the Federal Trade Commission to take it from the stockyards through the packing plants, and then again the Agricultural Department to take up the marketing end of it. The Federal Trade Commission was to take it through the branch houses of the packers, and then the Agricultural Department to take up the marketing end of it.

After this arrangement had been tentatively entered into, the Federal Trade Commission members decided they would rather take it to the consumer, but the Agricultural Department went ahead with the work of finding out what it cost to produce live stock and had here a number of men with books who were producers and large feeders. I remember one, Burke, of Omaha, was here for several weeks with his books.

In the meantime, as these reports came into the office from the men we had in the field, they were being digested and assimilated. Dr. Adams, Walter Durand, and three or four others were at work on them consulting with me from time to time, advising me of every new thing that came in; and I did not send anybody to inspect the letter files of the packers because Mr. Robertson and some others contended that the packers were giving them every facility to investigate their books, and they feared that if we undertook to examine their letter files, they might resent it and might make it more difficult to make a thorough investigation of the books.

For that reason I delayed, against my own conviction, as to what ought to be done, the investigation of the correspondence. I say it was against my conviction, because the Federal Trade Commission under the law had the absolute right and power to examine the correspondence and examine the books. The packers were not conceding anything except what the law required them to do, and what the law required would be a public offense if they refused to do.

However, I gave way on that matter, and on December 20 I held a public hearing. We had not yet examined any of the correspondence files of the packers.

Either a day or two before that, or just at that time, but I think a day or two before, I sent a man named Twombly to Chicago to examine the files. I took the testimony of the treasurer of Armour & Co. in regard to this matter, but I do not recall at this instant whether that was immediately after this Washington hearing or just before. I have the impression it was afterwards; no, I have the

impression it was before. Dr. Adams advised me it was after the first hearing and just before I held the second hearing that I sent Twombly to Chicago.

Along about that same time I went out there and took the testimony of Mr. Croll, but the first hearing was here in Washington, D. C., and the first matter that was made public was correspondence taken from the files of Mr. Prince, a banker in Boston, who had entered into an arrangement with Mr. J. Ogden Armour by which they were to secure the control of the Chicago Stock Yards, the Junction Railroad, the operating companies, and the holding company as well. There are two operating companies, the Junction Railroad and the so-called Transit Co. that operates the yards.

Now, the correspondence which we secured and the memoranda and the books showed clearly that Prince had conceived this scheme for the purpose of satisfying the five big packers as to a claim they were making that they should be paid a bonus for remaining at Chicago, and that claim was based in part upon a claim they had made in 1891, when the New Jersey corporation, which was the holding company of the stockyards and the Junction Railroad, was first started, and it had been first organized by this same Mr. Prince, who stated he got one million and a half dollars of common stock as a promotion fee at the time he organized it. He was the largest holder of common stock of the New Jersey company at the time he made this arrangement with Mr. Armour, but was far from being a majority owner. While the largest owner, his shares were—I have forgotten the percentage, but it was not over 25 per cent, and my recollection is that it was not that much.

In 1891 the five big packers had demanded as a condition of their remaining in Chicago—they were threatening to go to Indiana to what is now known as Gary, and they then owned a piece of land there and were threatening to move—they compelled the New Jersey corporation by this threat of removal to enter into an agreement with them by which they paid them \$3,000,000 in bonds at 5 per cent interest, they agreeing to remain there for 15 years.

The time expired July 1, 1917, and the bonds were finally paid. There was a new issue of bonds. These bonds were not negotiable, because they were payable out of income, but they were payable before any dividends on common stock, and the interest was paid regularly. They were finally paid off. In 1907, when the time expired, the packers demanded at least as much as they had been getting during these 15 years, which would be a couple of hundred thousand dollars a year substantially.

They appointed a committee, and the New Jersey company appointed a committee, and they negotiated for several years over this thing, and finally they agreed to bring a test case. The New Jersey company's lawyers were saying they could not pay a bonus because it would be in the nature of a rebate because they owned the Junction Railroad; that they would have a test case by having the Transit company, which operated the stockyards—it had parted with the operation of the railroad and passed it over to the Junction Railroad Co., which was operating it under a provision by which it paid two-thirds of the net profits as a rental—they would have the Transit company agree to give \$50,000 to Sulzberger to put up a new plant. He had been ordered to tear down the one that was there which had

been condemned by the Federal inspectors as insanitary. They took that case to the Supreme Court of the United States; but after taking it to the Interstate Commerce Commission and to the Commerce Court, where the Commerce Court held it was all right and it could be done; that it was not a rebate in effect, but the Supreme Court of the United States finally reversed it and said it was substantially a rebate and could not be done; but before it reached the Supreme Court of the United States, in fact before the Commerce Court decided it, Prince figured out this plan of having a holding company for the common stock of the New Jersey corporation tying up all common stock that they could not buy with a guaranty of an additional 1 per cent interest upon it; and this holding company was to have, as a consideration for guaranteeing the 9 per cent, all surplus earnings of the Transit company and the Junction Railroad Co. over and above what it would take to pay the dividends on the preferred stock and the 9 per cent dividend on the common stock.

It had paid the preferred stock dividend regularly and had paid 8 per cent on common stock regularly and had accumulated a surplus of about \$4,000,000, which was then in the treasury of these operating companies.

Prince's arrangement with Armour was that they would buy enough of the common stock to give them 51 per cent, and then make this proposition to the other 49 per cent. He had undoubtedly planned, as shown by these letters and memoranda, that as soon as they got the control he would pass the \$4,000,000 as a dividend over to himself and Armour. They figured that it would cost them to buy enough more common stock to give them the majority a trifle over \$2,000,000. They were to pay \$160 a share, and Armour was to furnish half the money and Prince half to buy 13,000 shares, and Prince saw where they were going to get back twice the amount they would invest by having the surplus passed as a dividend before he ever went into it.

There was a memorandum in his safety-deposit box up there which showed that what he intended to do with the big packers, after getting this holding company consummated, was to give them enough stock, each of them, in that company, so that their dividend upon the stock would be the equivalent of what they had been getting under that 15-year arrangement.

That scheme was carried out down to the point that Armour got his share, but Swift and Morris never got anything, as far as the records show, and they say they never got anything, although Mr. Swift admitted here before the Senate committee that it was his expectation that he would get it, and his understanding that he would get it down to the very last minute of time that this correspondence covers, and that was the statement made to me by Warden, the treasurer of the company, who was an employee of Prince, that they had promised Swift and Morris their share, and that Prince threw them down at the last minute, and never carried it out by giving it to them.

Now, when that was brought out at a public hearing Mr. Armour immediately went into the newspapers and commenced to denounce me as a liar.

After those hearings I went to Boston for the next hearing, and Mr. Murdock went there to preside at the hearing.

At the Boston hearing I made a statement at the hearing as to the nature of the hearings, and I want to call attention to that right

now, because I want to say most emphatically that no packer at any time ever requested to be heard at any of these hearings, and if any packer had asked to be heard he would have been granted the privilege very promptly, but he would have been sworn and informed as to his rights under the criminal law and would have been required to state whether he waived immunity or not before testifying, so the record would show; and if any one of his attorneys had asked permission to examine a witness it would have been granted readily by me; but I had no intention of conducting the investigation upon the theory that it was a trial at which the attorneys had a right, as a matter of course, to examine witnesses and present such witnesses as they pleased; and it ought to be obvious to this committee why I was compelled to take such a course.

In the first place, it was an investigation that might be compared to a grand jury investigation except that it could be held openly as well as secretly. It was an investigation such as a committee of Congress frequently holds; such as the committee presided over by Mr. Vest, which investigated the packing industry way back in the eighties held; it was an investigation such as the "leak" investigation, where the committee had an attorney representing it to produce witnesses and examine them, but where you would not have thought of holding a trial because it might make it interminable.

The Federal Trade Commission had a limited amount of money with which to make this investigation. It was important that it should be made as quickly as possible; in fact, the Federal Trade Commission urged me to finish the investigation by the end of December. They discussed the question of how soon they could finish, and passed resolutions trying to limit it to six months, and from time to time they extended the time for the investigation, because it was found necessary to go along further; but when we did quit we had almost exhausted the funds, and had it been a public trial, with attorneys appearing on the other side, with no limitation upon their right to examine or cross-examine witnesses, it could have been turned into a farce, and the letters which I had taken from the files of the packers convinced me it would not do to conduct the hearing in any such way.

Nevertheless, they never asked for it, and, on the contrary, when the Borland resolution was introduced in February of 1916, very shortly afterwards, a committee of Swift & Co., composed of R. C. McManus, one of their regular attorneys, and Mr. Chaplin, one of their principal men, and A. D. White, another executive officer, came to Washington, investigated conditions, and made a voluminous report, in which they said they believed that if an investigation was conducted with public hearings—in substance, they said—criminal prosecutions were inevitable, and then they proposed avoiding it, and Walter Fisher was insisting that if an investigation was held he was representing the National Live Stock Association, and he wanted it held in such a way that he could have the right or privilege of cross-examining witnesses, because the live-stock men were not willing to accept the books of the packers as being conclusive evidence of the profits they were making; and they insisted that they should have the right to examine; and then Mr. Veeder went to Mr. Hurley, the chairman of the Federal Trade Commission, and had a talk with Mr. Hurley, in which Mr. Hurley assured him that if any investigation

was ordered and was held—this was way back, now, early in 1916, while Hurley was chairman of the Federal Trade Commission—that if any investigation was held it would be an industrial investigation, and it would be without any publicity, and no examination or cross-examination of witnesses would be permitted, and Mr. Veeder immediately wrote that back to Mr. Swift, and it is perfectly obvious from a casual reading of the letter that that was what Mr. Veeder wanted: and it is especially obvious when taken with the memorandum of their discussions in their own meetings, that that was one of the main things they were trying to bring about; that is, to avoid public hearings, at which witnesses would be examined.

The CHAIRMAN. Cross-examined, you mean?

Mr. HENEY. Yes; cross-examined, Mr. Chairman.

Now, I asked Mr. Veeder before the Senate committee if he had made any demand to be heard, and he said he had not made any specific request of men at any time, either directly or indirectly, but he said it was because "you announced at Boston that you would not permit it." Now, we had held a hearing here in Washington, D. C., which Mr. Armour was severely criticizing or criticizing me for, although he admitted all the facts before the Senate committee as being true which I produced there, or that is, all the evidence as being true which I produced there, but says, Mr. Veeder, "You announced up in Boston that you would not permit any witnesses of ours to be heard, or any examination to be made," and he said, "I want to read from that hearing," and so he read from the hearing, and I now read it as Mr. Veeder read it—this is from page 4136 of the hearings before the Committee on Agriculture and Forestry of the Senate:

Mr. VEEDER. At the hearing in Boston, on December 28, 1917, Commissioner Murdock presiding, the following colloquy occurred between Mr. Heney and the commissioner:

"Commissioner MURDOCK. This meeting will come to order. This is a hearing held by the Federal Trade Commission under the direction of the President of the United States, and the authority of Congress, in an inquiry into the food products of the country and the high cost of living.

"Proceed, Mr. Heney.

"Mr. HENEY. Mr. Commissioner, I should like to ask for an order at this time excluding all witnesses from the room with the exception of the witness who is being examined, following the same policy we followed in Washington at the commencement of the hearings.

"Commissioner MURDOCK. That order will will be made.

"Mr. HENEY. I think it might be well for me to state for the benefit of the members of the press that this investigation is not a trial in which any parties are defendants and thereby entitled to appear by attorney. It is an investigation into the economic conditions, as well as practices that may be prevailing, and it is ex parte, and while the Commission will be glad to hear any witnesses that presents himself here, no one comes here with the right to be represented by attorneys, with the right to put on witnesses, because there is no investigation of that sort being conducted."

Now, Mr. Veeder proceeds to interpret that as saying that I would not permit any witness to be brought there by them to testify, whereas I expressly say while the commission will be glad to hear any witness that presents himself here, no one comes here with the right to be represented by attorney. I did not even say he could not be represented by an attorney; and on the contrary when men came there with an attorney, I did let them have their attorney sit by them and had no thought of doing anything else; but I stated the

fact that they did not come there with the right to be represented by attorneys; with the right to put witnesses on the stand. And he said, "If we sent a witness there we could not put on another witness to corroborate him." The statement; "We will be glad to hear any witness that presents himself," is not limited to one witness, but it includes 100 witnesses if they were present, and Mr. Veeder is too good a lawyer not to have so understood it.

Moreover, the spirit of the interpretation I am now giving it was carried out by me, and it is exemplified in the hearing that was held at St. Paul.

I am told that Mr. Magivny testified before this committee, and I have here what purports to be a statement made by him in the House hearings, page 1172, where he said:

The commission did not wish to hear from anyone who was satisfied and had a good word for the yards, the packers, or their business methods. When the hearing began the witnesses called were all men who had some complaint to make. They were practically all retail butchers with the exception of four live-stock shippers. One butcher said he thought there was competition between the packers in the sales of meats. Mr. Heney promptly interrupted him to inquire if he had been talking to Mr. Magivny or Mr. Bangs, the manager of Swift & Co. The butcher stated that he did not know me and had not talked to Mr. Bangs. Mr. Heney promptly dismissed him. Of the two live-stock shippers who occupied the stand a large part of the time, one of them admitted that he had not shipped any live stock to St. Paul in five years—a pretty competent witness, gentlemen.

Now, what are the facts? We have the hearing here. It took two volumes to hold the testimony—these two volumes.

Mr. Magivny says:

When the hearing began the witnesses called were all men who had some complaint to make. They were practically all retail butchers with the exception of four live-stock shippers.'

Now, let us see: The first witness called was Charles W. Gordon. He is a fur manufacturer in St. Paul, a large business man, a wealthy man, who had been a member of the committee that raised \$500,000 to give to Armour as a bonus to come there and establish a plant, and he testified from page 1 to page 49. There are 48 pages of his testimony.

The second witness was K. D. Dunlop, and he testified from page 49 to page 83. K. D. Dunlop is the representative of the English stockholders of the St. Paul stockyards, which were originally built by a man named Stickney, an Englishman, with English capital, a very large amount of money having been invested there long before the conditions there warranted such a large investment. Mr. Dunlop was examined fully in regard to how it came about that they had increased the stock of that company from \$2,000,000 to \$2,500,000 for the purpose of making a present to Armour of \$500,000 of stock as a bonus for him to come there, in addition to the \$500,000 cash that the merchants were raising for him. Now, Mr. Armour admitted getting both those bonuses, and admitted having negotiations with Swift before coming there in regard to it, and Swift admitted negotiating with Armour, and Swift admitted that he sold \$100,000 of his own stock to this committee to be given to Armour, because Armour insisted on having \$600,000 of stock in the stock-

yards and \$400,000 in cash, and that a part of the condition was that he should sell Armour a portion of his holding in the stockyards bank, \$250,000 worth; that is, that and the cattle-buying company, which are practically one and the same thing, so that \$250,000 of the \$500,000 cash, \$250,000 of it went to Swift for an interest in the bank and in the cattle loan company, and \$100,000 went to Swift for stock in the stockyards company besides the other 500 shares being given to Armour, and the balance of the cash to Armour; and Mr. Dunlop was examined fully as to that.

The next witness was William Magivny himself, the third witness. He says we had nobody except those who had a complaint to make against the stockyards.

Now, this is the way we started the hearings. Magivny started at page 83, and he was on the witness stand five times, and when two or three different witnesses testified, and after he heard them, Magivny asked me, "Can't I go back on the stand and answer that man?" "Certainly," I would say, "go back." One afternoon he was on three times, my recollection is that afternoon, answering one man after another as fast as they came on. Every time he asked me if he could go on the stand, I said, "Certainly, Mr. Magivny; glad to have you go on."

Not only that, but one evening, after he had been on the stand, he told me that he believed in monopoly in the meat business; that he thought it was the only solution; and I said, "Well, now, Mr. Magivny, we want both sides of this question before the commission; come back in the morning and give your views."

He gave them to me quite fully; and I said to him, "Come back in the morning and give your views to the commission"; and he came back in the morning and did give his views to the commission, and said that he believed in monopoly; and I said to him, "Well, Mr. Magivny, you are devoted to your employers, are you not; loyal to their interests?" "Yes."

Of course, I asked him then if he thought they believed that.

"Oh, yes," he had worked for the stockyards company over in Sioux City before coming to St. Paul, and owned an interest in the rendering plant over there with Swift and Armour.

I said, "Do they believe in it, do you think?" "Yes."

Now, I said, "Mr. Magivny, if you believe in it, you are loyal to your employers?" "Yes." "You work hard for their interests?" "Yes." "Well, you shape everything possible in the yards"—I am only giving in substance what was said, because I can not pretend to give the exact language, but it is here in the record—"you shape everything toward accomplishing monopoly there, do you not?"

Then he balked, of course, and hesitated and tried to answer it without saying yes, but I kept after him, and he finally admitted that he did.

Now, his testimony runs from page 83, his first testimony, to page 137.

Now, the other witnesses, because he says, you must bear in mind, that we are calling only retail butchers: A. A. McKechnie, secretary of the St. Paul Union Stockyards Co., who ~~was on~~ the witness stand and testified twice, was examined regard to the

profits of the stockyards company and in regard to the methods of running the yards, etc., as far as he knew about them.

The next witness was William Magivny, who was back on the stand again, from pages 1207 to 1613—no, he was recalled and came on at page 1253.

The next witness was John S. Bangs, who was manager for Swift & Co. at St. Paul.

Now, mind you, we were only calling witnesses who had complaints to make, so he said.

The next witness was Thomas F. Wehner. He was a commission man there.

The next witness was James T. McMillan. He was a small packer; a packer who does a business of about \$2,500,000 a year, whose plant was outside the yards. There is a portion of his testimony that I want to call the attention of the committee to, page 1349, because before Armour & Co. went there, and when Armour was threatening to start yards over at Minneapolis, McMillan was approached by the Swift interests to abandon his plant where it was, about five miles away, and have a plant in the yards. They proposed to buy his plant, and negotiated with him for it, but the amount they were willing to give him finally was only \$50,000, and it was going to cost him about \$300,000 to put up a plant of about 30 per cent increased capacity to go into the yards, and he was unable to stand that, and he said nobody up at St. Paul attempted to raise any bonus for him, and it was a question of raising certain money, and therefore he did not go in. But he did get a lease for a rendering plant on a piece of land; or rather, first, an option on a piece of land in the yards at the time, and when it was about to expire they asked him if he wanted to exercise the option. At that time he said to them, in substance, "Well, now, if I put a plant in there, how do I know when there are small runs of hogs I am going to get any of them and that you and Armour will not take them all?" Bangs, I think it was, who was having the talk with him, and he was the manager of Swift & Co.'s plant, said, in substance, "We will make same arrangement with you that we have with Armour & Co., and you will be entitled to your share of the receipts regardless of the size of the runs."

This man had lived in Minnesota all his life, aged 33, in the pork-packing business, and had been in it for 16 years, and his father was in it before him, and he was doing a business of \$2,500,000 a year. When he got this agreement for the rendering plant, the agreement had a provision in it, or when they proposed to go in there with his plant, he was offered an agreement to sign that all dead animals that were shipped to him would have to be turned over to whoever the stockyards company designated, and they designated a corporation there that Magivny and Swift and a few others owned, and that makes profits so scandalously large in percentage on the capital invested, that it was simply ridiculous. And I might say that that sort of thing they are doing at all stock yards, and commission men are required to sign a similar agreement in order to get offices in the buildings to do business in the yard, that they will turn all dead animals over to whoever is designated, at a price fixed by the designee, if that is a proper word. And the price is always way below what you could get outside.

Now, gentlemen of the committee, here is the testimony in regard to what I just said, page 1356 of the St. Paul hearings:

Question. Now, then, you had another talk later that you started to tell us about, with Mr. Bangs.—Answer. Yes.

Question. At his office. What was the substance of that talk?—Answer. That was with reference to us moving down there with the packing plant.

Question. Yes. Now, what did he say? You said that he started to talk to you about—Answer. Well, we talked of location and we talked of the buying of live stock there.

Question. What was said on that subject?—Answer. Why, Mr. Bangs said he supposed it would be arranged that we would get our proportion of the receipts, whatever that was, and the terms, etc. I think we did mention terms there. After that meeting, I went down to Chicago and I saw Mr. L. F. Swift there, and I had a talk with Mr. Swift and Mr. Moon, and he—I am getting ahead of my story again here. Mr. Swift and Mr. Bangs came down to our plant, sometime in the fall of 1916.

Question. After you had had this talk with Mr. Bangs?—Answer. After I had a talk with Mr. Bangs, and looked the place over, and Mr. Swift seemed to think that they could use our place all right for some of their business, and said that it took two to make a bargain; that if we were willing to consider the proposition of moving down there, and would name the price that we wanted, that they would consider the matter and let us know what they wanted to do about it. So we considered the matter then, and told Mr. Bangs what we wanted, and he conveyed that to Mr. Swift—that is, I suppose he did, and Mr. Magivny—I met Mr. Magivny up town here one day, by appointment. He called me up and said that they could not agree to our figure; that we were asking too much, and they made up a counter offer which we did not accept.

Question. Then you went down and had the talk with Mr. Swift?—Answer. Then I was in Chicago—in the meantime I was in Chicago and had a talk with Mr. Swift and Mr. Moon there.

Now, I will see if I can find the other. Yes, here it is on page 1360:

Question. What was this talk you had with Mr. Bangs, in which you discussed percentages? Now, you were to get your share of the hogs?—Answer. What was the talk?

Question. Yes: what did he say on that subject.—Answer. Well, I asked Mr. Bangs how it could be arranged when they had a poor run there, how we were to know we were going to get our share of the hogs; that we would be the little fellows in there and Armour and Swift would take the bulk of the run, and we would be left with nothing. He said that would be arranged on a percentage basis, the same agreement as Armour had.

Q. But you did not get down to what the percentage would be—did not discuss it in any further detail?—A. No.

Q. What did you think at the time was the reason that Swift wanted you to move to the yards—A. There had been a lot of agitation and talk about getting another packinghouse down there, and this was about the time they started talking, and a newspaper came out that they were trying to get Armour down there, and I suppose they wanted more competition in the buying—getting more hogs down there than they needed and could use another packing plant there.

Mr. Swift testified that he did not want Armour there, but if Armour was coming why then he did not want him to go somewhere else up there, and have a plant at Minneapolis, and wanted him to come into these yards, and there was so much agitation and the people of the town had raised this big fund of \$500,000 for the purpose of getting him there, that he concluded he better take the matter up with Armour and have Armour come in, and that is the way the thing was worked out.

Now, gentlemen of the committee, I may be spending too much time on this particular thing, but it seems to me that the audacity of this witness in coming here and making this statement to you gentlemen is so great, and it is such a fine illustration of exactly the methods pursued by the packers in fighting this investigation, that

I ought to go into it fully, and so I want to go enough further to show you the entire proceedings at St. Paul, and not read them, but show the character of the witnesses produced and how absolutely contrary to the true facts this Magivny statement is.

The next witness called after Mr. McMillan was Kenneth Fosnes. He was an independent packer, or represented Hinman & Co., independent packers, and testified at some considerable length. They were operating a slaughterhouse at South St. Paul. It is a corporation known as Hinman & Co. He said he had been living at St. Paul about eight years. He said that R. C. Wight and R. D. Stewart, and himself owned it; that the slaughtering plant is in the stockyards, and they slaughter hogs and some cattle.

The next witness was John Dickey. At the time he testified he was a buyer for Wilson & Co. He had been a trader at the yards at some time before.

The statement made was that we called only those who had complaints to make, and I am trying to show you the character of the witnesses that we did call.

The next witness was N. P. Rogers. My memory does not serve me as to who all these people are. I haven't thought of this thing for a year; I finished March 31, and had nothing to do with getting up the report, and did not have to study this evidence afterwards, and have been thinking of other things, but have been trying to get it back into my mind since I came here. When I read Mr. Magivny's testimony I had to go to the records myself to recall what had happened up there. I understand that he said he wanted to cross-examine witnesses and I did not permit him. There are a number of pages of testimony here showing cross-examination of a witness by Mr. Magivny. He did ask me if he could cross-examine a witness and then when I looked at this testimony it all came back to my mind. When he asked me if he could cross-examine a witness, I said, certainly, Mr. Magivny, ask any questions you want to ask. The record shows it.

But, to continue, Mr. Rogers is a live-stock man and has been in the business since the fall of 1888.

The next man is A. N. Craighead. He was a trader at the yards.

The next man is Richard F. McGoon. He was one of the live-stock shippers, and the one referred to as the man who had not shipped from there for five years.

George A. Hormel was the next witness. He is the principal owner of a plant at Austin, Minn., and I wish presently, when I finish this statement, to go back and read the testimony to you given by Mr. Hormel, so that you can see for yourselves how directly contrary his testimony was when given under oath from that which he gave here not under oath. And, by the way, I had not talked with Mr. Hormel before calling him there as a witness, nor had anybody else talked with him for me. I wired a subpoena to him, and I subpoenaed these other gentlemen connected with the yards, without anybody interviewing them, and I had them sworn and put on the witness stand, and endeavored to develop the case. What I wanted was to get the facts whatever they might be.

witness is Charles C. Klimenhagen. He was one of the St. Paul. The reason for calling the butchers was that

when this investigation got started, after the public hearings began, the big packers started propaganda in the newspapers that the retail butcher was to blame for the high cost of living. In Boston I had taken the testimony of Mr. Whitcomb, the secretary of the New England Rendering Co., a concern owned and controlled by the American Agricultural Chemical Co., that is in combination, unlawful combination, with the Consolidated Rendering Co., of New England, owned by the Swifts. By means of this combination, the rendering business in the New England States is monopolized. Mr. Whitcomb testified to the existence of that combination, which was broken up by the manager of this New England Rendering Co. when he was getting the worst end of it with the Swifts, by getting George F. Swift indicted, and the Consolidated Rendering Co. indicted, and one or two others indicted. The indictments against Swift and the Heaths, I think it was, were dismissed on a letter directing it to be done that was sent by Attorney General Wickersham to the United States attorney at Boston, and the Consolidated Rendering Co. plead guilty and paid a fine of \$5,000. According to Whitcomb's testimony they arranged immediately, either before or after the dismissal of the indictments, and I have forgotten which, but right at that time, to make a combination which they would all be in: the New England Rendering Co. was now to go into it, be taken care of, and that combination was in existence when I was holding this hearing, and Mr. Whitcomb was testifying under oath.

The object of excluding witnesses from the room there was merely for the purpose of keeping certain witnesses out in regard to particular things I was bringing out, where I did not want one witness to hear what others said, and this particular case was one of the most important. That is the only time I excluded the witnesses, except once here in Washington, that I recall, and in both instances it was for the same purpose—where I did not want other witnesses to hear the testimony of certain witnesses.

I forgot to say that Whitcomb testified that a very large number of retail butchers were put out of business in Boston by the high price of meat. My recollection is that there is somewhere in this testimony evidence that shows about 400 shops were closed up.

Now, gentlemen of the committee, the rendering business is the one business that would know how many butcher shops were put out of business in a city, because their business is to buy the fats and bones and waste from these butchers, and they have a list of every butcher in town, and they have an arrangement by which they own a butcher after they once get him. If he once sells his stuff to the New England Rendering Co., none of the others can take him on: he can never sell to anybody else. If he refuses absolutely to sell to that one that has taken him on, and sticks to it, and goes to the point where he would rather throw the waste away than to sell to that company, then they permit one of the others to go and take him, and then that other one has to turn over to the New England Rendering Co. one of his butcher customers who has about the same quantity to sell; they exchange customers, as it were.

Of course, these butchers did not know that at the time, but that was the way in which it was handled.

And, gentlemen of the committee, up at the Federal Trade Commission offices there is a cartload of testimony, taken under oath, that

conclusively proves these things I am stating to you. It is not Boston alone, or the New England States alone, but it is Chicago, New York, Philadelphia, Cincinnati, Detroit, and almost every place in the United States; Kansas City and Omaha and every place where this rendering business is going on, in practically all of the large cities.

Mr. HAMILTON. How do these rendering corporations control the butchers?

Mr. HENRY. Control the butchers?

Mr. HAMILTON. Yes; that is what I understood you to say.

Mr. HENRY. Well, I will explain: Up there, if a new butcher shop opens, under this agreement among the rendering companies the first fellow who gets him has him. So they go out and offer bonuses, and we have testimony here of butchers themselves showing where they paid as high as \$300 bonus to a man to sell his butcher fat and waste to a particular rendering company. Another one was paid, I think, \$500 because they bid against each other to get a man. But after they once get a man, then under the agreement among the rendering companies no other rendering company would buy his stuff. So they would give him a bonus and pay him a rate that would be satisfactory to him to get the business, but after they once had him, and they might not have him but a week, they could lower their price to him if their contract did not run longer, and they would reduce the price paid to him. If he tried to get some other rendering plant to buy his stuff, they would give the excuse that they did not have a wagon going up there, or could not call for it, or always had some excuse. If the man refused to sell to that particular rendering company and insisted on his refusal, then the rendering companies themselves would agree which rendering company would take him, and the company that did take him would turn over one of its customers to this other rendering company, a customer who had about the same average waste per month. In turning him over they would have to make some excuse, of course, that they were not going to send their wagon around there any longer or could not call at the proper time, and so the other company would take him and continue it. They would continue at the same price.

Mr. ESCH. Has this evidence as to the New England situation been turned over to the Department of Justice?

Mr. HENRY. Yes; my understanding is that it has been.

Now, gentlemen of the committee, the situation at Philadelphia was very acute at the time we were holding the hearings there. Shoemaker & Co. had written over to the Federal Trade Commission and complained about it. I had sent a man over to Philadelphia to investigate conditions and he came back without any information. He was not very good in these matters. A few days afterwards this letter came in from Shoemaker & Co., telling about how the New England Rendering Co., through a man named Murphy, was making a fight on them, which had already cost them \$70,000, taking their customers away from them. They would send a man around in an automobile, following the other fellow's wagons, and would offer a butcher more money to turn the business over to them. They would run the price of bones and fats up to a point way above the value that they could get out of them. And they would keep paying that high price until they would bring Shoemaker & Co. to terms.

Now, they wanted Shoemaker & Co. to let them have a certain percentage of the butchers there, and Shoemaker & Co. said no. The manager of Shoemaker & Co. says, "I am a Civil War veteran, and I will fight." Well, he did fight pretty well, figuring on conditions, but when he did not get any relief from our investigation, when the Federal Trade Commission had not been able to do anything for him, I think the last I heard was he was sort of considering whether an armistice was not the proper thing. Now, gentlemen of the committee, an armistice would consist of their permitting him to keep those he still has and possibly turn a few back, and then that the map as then made should continue.

Mr. ESCH. Could not the Federal Trade Commission, under the authority it had, have issued an order against this company which was indulging in unfair methods of competition?

Mr. ADAMS. The Federal Trade Commission did do that. It proceeded in two separate cases in the Philadelphia matter. I might explain that Mr. Heney was not aware of that fact, because he left the commission.

Mr. HENY. A small man can start in the rendering business, and it does not take much capital, and there is lots of profit in it. They used to charge to haul these fats and bones away, years ago, and even up to the time of the war the price all over the country was about half a cent a pound for bones and 2 cents for fats, or maybe, 2½ cents a pound for mixed bones and fats. It was admitted by a witness who knew that they could pay 7 cents for fat and not lose money at the price then prevailing, at the time this fight was going on over there. I have forgotten what they did run it up to, but it was something above that, and 3 cents or 3½ cents seemed to be a fair price.

Now, gentlemen of the committee, further on the butchers: Those four butchers who were subpoenaed at St. Paul I subpoenaed in duces tecum. I merely started in and found out who the four biggest butchers in town were, or rather four butchers, a couple of big ones and a couple of small ones. I said to subpoena them down there, and we would see what they were making. I wanted to see if they made more in 1917 than they did in 1916, because if they were doing the profiteering it ought to appear from those facts. This was early in 1918, in February, I think, or in January.

Mr. WINSLOW. In what city.

Mr. HENY. St. Paul.

Each of them testified that he did a smaller volume of business in 1917 than in 1916, smaller in product but higher in dollars, and that he made less profit in 1917, in the actual amount of money as well as in percentage, than he made in 1916. And he explained why: That the customers fell off, and that customers bought one-half quantity, or in percentage of purchases, compared to what they had been accustomed to buying, because when the price kept going up they could not afford to buy so much meat. And that was what had put those 300 or 400 butchers out of business in Boston. The butchers out in the quarters of the town, where people purchased at the butcher shops referred to, did not receive an income sufficient to enable them to continue buying the quantity of meat they had been using with the price doubled.

Now, gentlemen of the committee, returning to this St. Paul matter, besides those four butchers, and they were Charles C. Klimenhagen, Charles Eisenmenger, John Lichtscheidel, and Anthony Friedmann, the next witness was Charles Fearn. Now, Charles Fearn represented the Intercounty Cooperative Packing Co. at New Richmond, Wis. I had sent him a telegraphic subpoena. I tried to get all of the independent packers and cooperative concerns that were in that neighborhood who could be reached most easily, or who could come most easily, to come to St. Paul. A number of them wired me that they could not get there because this happened in January, just at the time they had those heavy storms out there, when the trains got tied up. I know that I saw more snow then than I ever saw before in my life.

S. E. Peterson was the next witness. He is a farmer and live-stock shipper, and has been a farmer all of his life, and a live-stock shipper for the last three years. He belonged to the Farmers' Shipping Association, of which he was manager, in Waconia, Minn. He helped to organize it, because he had better success in selling his stock direct to the central market than to have it go through dealers' hands at local towns. The local buyers used to buy it.

The next witness was William Magivny, who was recalled.

The next witness was Stephen J. Melady. Mr. Melady is a broker in cattle at South St. Paul.

The next witness was David Wolff.

The next witness was S. E. Peterson, recalled.

The next witness was A. N. Craighead, recalled. And this is the man whom Mr. Magivny examined, and the way that occurred was that we left that night. Mr. Davies left there the day before, and I remained, and Mr. Yoder, the examiner, presided on the last day, and we ran until quite late in the evening, when we had to catch a train, and the reporter was to send this on after Mr. Craighead testified.

I questioned Mr. Craighead, and there, right at the end of these proceedings, after I had asked the question—

Q. How do the hog pens compare in size here in respect to other large cities?

And he answered as follows:

A. Not very much difference. I think they are rather smaller here than in some yards but not much difference. I never had any complaint of the size of the yards except when I might have had a large load and they didn't have room, but if there was an empty pen and I had a large load, I would have them split up.

And Mr. Magivny began and he examined the witness clear to the end.

Now, if I may be allowed to refer to this statement made by Mr. Magivny here again, in which he said, "The commission did not wish to hear from any one who was satisfied and had a good word for the yards, the packers, or their business methods. When the hearing began the witnesses called were all men who had some complaint to make," I would like to say that the majority of the witnesses called, and there were 21 of them, were the officers of Swift & Co., of the stock-yards company, controlled by them, and Swift & Co. itself, its plant manager. They took up the bulk of the testimony you can see in these two volumes.

Mr. HAMILTON. Did Swift & Co. have a lawyer there?

Mr. HENRY. A lawyer?

Mr. HAMILTON. Yes.

Mr. HENRY. Not that I know of.

Mr. HAMILTON. I understand you to say that they could have had a lawyer there and could have cross-examined those witnesses if they chose.

Mr. HENRY. What I said was this: They had no attorney to come to me and say, "I would like permission to examine a witness or this witness or any other witness," or more than that, if so, and I had believed he was acting in good faith in the matter, that he did not mean merely to embarrass the proceedings by delay, I would gladly have permitted it to be done.

Mr. MONTAGUE. Did you make that statement at the time?

Mr. HENRY. At the time?

Mr. MONTAGUE. Yes.

Mr. HENRY. No; I made the statement at Boston which I have read to you.

Mr. SANDERS. Which covers that very fully.

Mr. HENRY. Which covers it. It does not cover it on the question of examining—

Mr. HAMILTON (interposing). Did you read the statement made before this committee by Mr. Levy Mayer in relation to this question of examination of witnesses and of his requests for the packers to be heard at those investigations? It was rather a brief statement and I have asked Mr. Davis, the clerk, to look it up, but he has not been able to find it as yet. I did not know whether you had read it.

Mr. HENRY. No; I don't think I did. But over at the Senate committee hearings, I challenged the packers generally to produce any evidence of any request or demand, made at any time, by any of them, to be heard at a one of those hearings.

Mr. MONTAGUE. Wasn't there in the testimony reference to a letter by Mr. Mayer, or Mr. Armour, or somebody, to the President, with the request that they be heard.

Mr. SANDERS. Mr. Mayer testified in answer to a question of mine that he had even come to Washington twice, and interviewed the Federal Trade Commission seeking an opportunity to be heard, and that afterwards he addressed a letter to the President to that effect.

Mr. HENRY. The letter to the President was put in evidence by Mr. Mayer before the Senate committee, and I have it here and I think it might well go into the record here, if the committee is willing, because Mr. Mayer's side of it is his construction of the letter. It is always better to find out just exactly what was said.

The CHAIRMAN. There is no objection.

Mr. HAMILTON. I would like to have the letter read.

The CHAIRMAN. That is the letter of Mr. Mayer to the President, as I understand.

Mr. HENRY. Yes, sir. The letter is dated January 11, 1918.

JANUARY 11, 1918.

MY DEAR MR. PRESIDENT: It is with very great reluctance that I take the liberty of adding, even in the slightest degree, to the heavy burdens of state which rest upon you. I came to Washington with the intention to ask you to accord me the honor of special audience. I am impressed, however, by the considered view that such a request on my part would be unwarrantable under

the circumstances and that it would be more convenient for you to have me address you in writing. Therefore, I beg to submit this communication in the hope and belief that it deserves your attention.

The manner in which the Federal Trade Commission is conducting the investigation into the production, distribution, and costs of food products, etc., calls for public concern. Permit me first to draw your attention to the following outstanding facts:

1. It is hardly necessary for me to state that the meat packers are just as loyal and just as eager for American success in this war as any other citizens of the United States. It has been their pleasure, as well as their duty, to place their lives, their fortunes, and their industries at the disposal of the Government. Their conduct has been such as to justify their birthright.

2. The packers cordially have cooperated with the Government and the allies in everything that has been considered necessary and desirable in connection with the prosecution of the war.

3. The businesses of the packers to-day is in all practical respects under the control of the Federal Government. The United States Food Administration last month fixed the prices of meat products so that the net profits on such products can not exceed 9 per cent on the total investment, which works out a very little in excess of the two cents on every dollar of sales.

4. Some 10 days ago, the United States Mediation Commission visited Chicago. Through its efforts, and particularly those of Mr. Felix Frankfurter, secretary and general counsel of the commission, the packers agreed to submit the grievances with their employees, now or hereafter arising during the war, to the decision of Mr. John N. Williams, as United States mediator, who is already acting as fuel administrator of Illinois under an appointment of Dr. Garfield. Mr. Frankfurter can tell you of the attitude of eager helpfulness on the part of Mr. J. Ogden Armour and the other packers. Mr. Williams is now engaged in passing upon the demands of the packers' employees, who number about 200,000.

Thus, the packers not only have acquiesced in but have facilitated the efforts of the Government to secure public satisfaction with the costs of meat products, and also labor satisfaction even though that will mean a heavy increase in their pay rolls.

I think I have some idea of the character of the tremendous problems pressing upon your attention. But I know that you may be depended upon to see that every citizen and particularly every industry vital to the needs of the country in this crisis has justice. It is with this feeling that I beg to call your attention to the following developments in connection with the meat investigation:

The Federal Trade Commission and its attorney, Mr. Francis J. Heney, began public hearings on the meat question in Boston, and since have held hearings in Philadelphia. These hearings are to be carried on in St. Paul and other cities.

At the hearings the packers have not been represented and will not be allowed representation. They have not been and will not be allowed to cross-examine witnesses, to call witnesses, or to present evidence.

Some of the witnesses have given testimony which has nothing whatever to do with the costs of meat.

The published reports of these hearings have been accompanied by interviews, attributed to Mr. Heney, tending to undermine public confidence in the meat industry. At Philadelphia, Mr. Heney threatened, according to a published statement, "jail terms for the master minds that have the Nation in its grip." There was another published statement in which Mr. Heney is said to have intimated that the Government proposed to take over the packing plants, a statement subsequently denied by Mr. Heney, but as it was sent out by the Associated Press it was given some credence throughout the country. The fact that some of the transactions upon which Mr. Heney is dwelling took place nearly 30 years ago is, of course, not realized by the public.

Still another statement is credited to Mr. Heney, which gives the information that the businesses of the packers are to be placed in the hands of Federal receivers. The packers do a business of about \$2,000,000,000 annually.

They employ, as I have stated, about 200,000 hands. They have an invested capital of from four to five hundred million dollars. They borrow large sums of money, and to-day owe hundreds of millions of dollars. Their commercial paper is held by banks and individuals throughout the country. The manner in which the public hearings of the commission have been conducted threatens

to strike at the credit of the packers. You will appreciate the relation of their credit to the credit of the country. Moreover, the conduct of the hearings has stirred up the people, including the employees of the packing houses, and is creating a civic situation which portends danger to the industrial welfare of the country and is demoralizing the meat industry in particular.

If the packers have been guilty in any respect of violation of law or of wrongdoing, they should be proceeded against, but in an orderly and judicial way. The opportunity for explanation or defense is denied them in connection with the investigation now in progress. They are subjected to public odium in consequence of ex parte statements and of comments thereon given to and spread broadcast by the press.

In this connection may I draw to your attention the fact that only a few days ago the Attorney General in the United States Supreme Court moved for a continuance of the hearings in cases there pending, affecting various industries.

Relying upon your sense of justice and fair dealing, I beg, Mr. President, respectfully to leave these facts to your mature consideration.

I have the honor to be very respectfully,

(Of Chicago),

General Counsel for J. Odgen Armour.

His Excellency the PRESIDENT OF THE UNITED STATES.

Mr. HENEX. Now, gentlemen of the committee, if I may call attention to the fact, there is no request there that the packers be heard. The nearest that Mr. Mayer comes to such a request is when he says on page 5032—

If the packers have been guilty in any respect of violation of law or of wrongdoing, they should be proceeded against, but in an orderly and judicial way. The opportunity for explanation or defense is denied them in connection with the investigation now in progress.

And then over here, in another place, on page 5030 of the Senate hearings, he says:

At the hearings the packers have not been represented and will not be allowed representation. They have not been and will not be allowed to cross-examine witnesses, to call witnesses, nor to present evidence.

Mr. HAMILTON. Have you finished that?

Mr. HENEX. Yes.

Mr. MONTAGUE. He might desire to comment on that.

Mr. HAMILTON. All right; then I will postpone this inquiry I have in mind.

Mr. HENEX. Just adopt whatever order you please in that respect.

Mr. HAMILTON. Perhaps in that connection you desire to go ahead with your comments.

Mr. HENEX. Very well. This letter was sent by the President to the Federal Trade Commission. Just about that time a number of Detroit banks joined in a telegram to the President urging, and I can only give you the substance of it from memory; that the investigation be stopped, or the public hearings at any rate, because it had a tendency to injure the credit of the packers.

I learned of this telegram just as I was leaving St. Paul, which telegram was also sent by the President to the Federal Trade Commission for reply. The Federal Trade Commission replied to this letter of Mr. Levi Mayer's, which had been sent over by the President, and they also replied to the telegram from the banks. They said, in substance, that I was conducting the hearings with full knowledge on their part of the manner in which they were being conducted, and that in their opinion they were being properly conducted. I can only give you the substance of the replies from memory. And the President accepted those replies, because he had Mr. Tumulty write

a letter to Mr. Mayer, which letter Mr. Mayer put in evidence, in which Mr. Tumulty said that the President considered that he should not interfere with the discretion of the Federal Trade Commission in the way in which it was conducting its investigation.

Now, gentlemen of the committee, I want to call attention to the fact that there is a complaint here, and that complaint is that the hearings are injuring the packers, and it is founded on the proposition that reports are being carried by the newspapers to the effect that statements are being made by Mr. Heney. Mr. Mayer does not say in this letter that I made any one of those statements, and I think the reason he did not so state was because he knew I had not made them, and the fact is I did not make any of them.

One statement, which caused the most comment, was sent out from Philadelphia—and Commissioner Fort presided at those hearings in Philadelphia. Commissioner Fort learned as early as I did what the basis was for that newspaper report. It was a publication in one of the Philadelphia papers, and neither one of us knew it until it appeared in the paper. Each of us inquired at once to try to find out how such a statement could have been made by the paper. It turned out that Mr. Yoder, who was working for the commission and who was in Philadelphia at the time with us, had had a talk with a newspaper reporter, in which the newspaper reporter had himself suggested to Mr. Yoder something like this: Well, now, don't you think that if these hearings develop the fact that the packers are in combination and are doing these things, don't you think the Federal Government could put receivers in charge? And Yoder's statement was something like this: Well, I don't know; maybe it could, or something to that effect. Then the young reporter wrote an article in which he said that a representative of the Federal Trade Commission had said, attempting to quote from memory, something like this: That receivers would be put in charge. And Yoder's name was used as the man who had said it in the original draft of the article, and the reporter showed it to Yoder, and Yoder protested vehemently and violently, and told the reporter he would lose his job, or something to that effect, and the reporter went back and took out the name of Yoder and put in "a representative of the Federal Trade Commission" in the place of Yoder's name, but left the story.

Now, you gentlemen must understand, and I think all of you do—

Mr. DEWALT (interposing). May I interrupt the witness for a moment?

The CHAIRMAN. Let him finish what he has to say.

Mr. DEWALT. All right.

The CHAIRMAN. Proceed, Mr. Heney.

Mr. HENY. You gentlemen must understand, as I think all of you do, that newspaper men throughout the country are always looking for headlines; they want something sensational, and they were constantly bombarding the Federal Trade Commission over there for information during the time I was at work, and from July to December at every public hearing I was constantly approached by them, and it turned out on one occasion that a man who approached me and I thought was a newspaper man was a representative of the packers, was in their employ. But no one of them ever got any

information from me, and no one of them will ever say that he did, I am quite confident.

But, as I started out to say, what they wanted was something sensational. Now, gentlemen of the committee, they could not get anything from me along the lines of this statement, that the master minds would go to jail, because, as I have told you, I take no stock in criminal prosecutions as a remedy for these evils. And as evidence of what my real convictions are on the subject I point to the fact that during that interlude while I was working—or I shouldn't use the word interlude—but before we started in the hearing at Philadelphia, I was interviewed by a representative of the Country Gentleman, and I concluded to give him a general statement of my views in regard to the matter, which was for the very purpose of heading off this kind of newspaper article, and that interview so pleased J. Ogden Armour that when we did go into his files we found a letter that he had written to Mr. de Ricqlès, of Denver, calling his attention to it and suggesting that he should read it.

Mr. DEWALT. Now, Mr. Chairman, Mr. Heney is going off on something else, and I would like to ask the witness a question.

The CHAIRMAN. All right; if Mr. Heney is ready to be interrupted, go ahead.

Mr. DEWALT. Mr. Heney, you and Mr. Mayer, so far as my knowledge goes, and so far as the knowledge of this committee goes, are both reputable members of the bar and in high standing. There is a question raised here of veracity between the two of you. Mr. Mayer wrote a letter to the President of the United States complaining of the conduct of the investigations that you were handling. Now, what I would like to know is this: Was that letter written prior to or subsequent to any request made, either by Mr. Mayer or by some one under his authority or by any of his clients, for an open hearing or for the privilege of examining or cross-examining witnesses? Now, Mr. Heney, that is a very simple question, and what is your answer to it?

Mr. HENNEY. Except that your question is, Was it before or after?

Mr. DEWALT. Yes; the writing of this letter, either prior to or subsequent to the demand or request made upon you for a hearing.

Mr. HENNEY. It was neither before nor after, because no such request was ever made.

Mr. DEWALT. Now, Mr. Heney, that is a very definite answer. On the other hand, Mr. Mayer testified very explicitly, in response to questions propounded by Gov. Sanders, that he had made such request, and that he had repeatedly made such request, and Mr. Swift also testified explicitly that he had, either personally or through some other persons, made such request, and that he was denied the opportunity, and that they were not permitted either to introduce any testimony or to examine or cross-examine any witnesses. So the issue is clearly made up, in my mind, of a question of veracity between you and Mr. Mayer.

Mr. HENNEY. No; it is not, and I can explain it. Mr. Mayer construed this letter as being a request, and Mr. Swift construed a telegram to that effect, and he so explained over before the Senate committee. When I asked him what he meant by saying there were requests made he said he would produce them. I said, "Did you ever make one orally or ever ask anyone to make one orally?" He said

"No." I said then, "Produce the telegrams," which he did. His first telegram was one in February, 1917, which was five or six months before I was employed. That was a telegram to the Federal Trade Commission, which speaks for itself and which I can not construe as a request to be heard. There is no such word in it. I asked Mr. Swift to please point out a single phrase or sentence in that telegram which he claimed might properly be construed as a request to be heard, and he failed to point one out—did not attempt to do it.

Mr. Veeder was asked to do the same thing, and he failed to point one out. Mr. Mayer was asked to do the same thing, and he produced this letter. I never knew Mr. Mayer in connection with this.

Mr. DEWALT. Now, Mr. Chairman, I desire Mr. Hamilton to refer to the testimony of Mr. Mayer, given before this committee, in reference to this request, if he has it.

Mr. HAMILTON. This is what I desired to call attention to some time ago. It is the statement made by Mr. Mayer before this committee on January 23 last, when Gov. Sanders asked him some questions:

Mr. SANDERS. Are you familiar with the procedure had by the Federal Trade Commission in taking testimony and submitting its findings?

Mr. MAYER. I am in the matter of the taking of the testimony but not in the matter of submitting its findings.

Mr. SANDERS. I want to ask this question before I forget it, as I think it is very important: I have heard their action referred to, both in your argument and quite a number of times in the testimony here, as an ex parte proceeding. Do I gather from that, and am I right in the conclusion, that when these gentlemen took their evidence and found a verdict of guilty against the packing industry, that there was no opportunity given to the defendants before the bar, if I may use such an expression, to introduce any evidence or to be heard by counsel, or to explain any of the circumstances at all?

Mr. MAYER. None; not in the slightest or the most remote degree. Not only were we denied the right to introduce testimony, to call witnesses, and present the facts, but we could not even cross-examine their witnesses, and we could not examine or explain their documents. We could not answer how this letter was written, or how that letter was written, or show what the answer was to any particular letter. We never had our day in court.

Mr. SANDERS. You do not mean to say that if a witness took the stand to testify before the Federal Trade Commission, and if damaging testimony were given against, we will say, your client, Mr. Armour, you were denied the privilege of cross-examining him and testing his reliability or credibility?

Mr. MAYER. I say absolutely that was exactly the situation.

Mr. SANDERS. You were not even allowed to introduce evidence to prove whether he was a trustworthy individual?

Mr. MAYER. We were not allowed to introduce evidence of any kind, character, or thing at any time, anywhere.

Mr. HAMILTON. That covers this matter, I believe.

Mr. HENEX. That is, very plainly, a statement of the conclusions of the witness. I am surprised that some lawyer did not ask him when and where anybody ever asked Mr. Heney, or ever asked any commissioner, and who it was he asked.

Mr. SANDERS. I asked him that question.

Mr. DEWALT. Yes; there is further testimony upon that subject.

Mr. HENEX. He claims he bases it upon those telegrams——

Mr. SANDERS (interposing). If you will permit me to interrupt you, I want to say that I asked Mr. Mayer further in that very examination.

Mr. HENEX. Is that in the record?

Mr. SANDERS. Yes.

Mr. HENNEY. Is that all of the record?

Mr. SANDERS. No, sir; that is not all. I would like to go further and get it all.

Mr. HENNEY. I would like to hear it. I would like to see if when he was asked the direct question he attempted to state any time and place when such request was made.

Mr. BARKLEY. He said he came to Washington on one occasion and had a conversation with a member of the Federal Trade Commission.

Mr. HENNEY. That was long after the hearings, long after I had severed my connection with the Federal Trade Commission.

Mr. SANDERS. During my interrogation of Mr. Mayer, the following also occurred:

Mr. SANDERS. Mr. Mayer, your answer to me is that the industry was not permitted or allowed to offer any evidence, nor to cross-examine witnesses, even as to their credibility.

Mr. MAYER. Absolutely we were not given that opportunity, or any opportunity, notwithstanding I came here and made, I think, three trips to Washington. On one occasion Mr. Ogden Armour was with me to plead for the opportunity of having a day when we could be heard, cross-examine, introduce evidence, or explain matters.

Mr. SANDERS. I was leading up to that. Did you demand an opportunity to be heard?

Mr. MAYER. I did, sir.

Mr. SANDERS. And the next question is, that there must be some explanation of the attitude of the Federal Trade Commission, and I will be pleased to have you give me that explanation if you can.

Mr. MAYER. It is impossible for me, Mr. Congressman, to give you what explanation the Federal Trade Commission may have for its action in the matter.

Mr. SANDERS. No; but when they denied you the opportunity to be heard they must have given you some reason therefor.

Mr. MAYER. They gave us no reason.

Mr. SANDERS. What?

Mr. MAYER. They gave us no reason. May I explain what the Federal Trade Commission did?

Mr. SANDERS. Certainly.

Mr. MAYER. They sent scores and scores of examiners to go through the files and the records of Armour & Co. I speak now only of Armour & Co.

Mr. SANDERS. To do what?

Mr. MAYER. To go through our files, our letters, our books, our records, and our accounts.

Mr. SANDERS. I then asked him under what specific authority they did that, and he went on further and stated that after having applied to the Federal Trade Commission and made two separate trips and asked for a hearing, that then he wrote the letter to the President demanding a hearing.

Mr. HENNEY. Well, now, gentlemen of the committee, the letter to the President is dated January 11, 1918—and I wish to say, Gov. Sanders, that I owe you an apology, as an attorney, except that you did not get from him, Mr. Congressman, the time that he said this occurred, which would have been very important if you had known the situation fully.

You see I quit the Federal Trade Commission March 31, 1918, and no public hearings were held after that. The Federal Trade Commission's report, dated July 3, 1918, went to the President at that time, but was not made public by the President until some time in August, I am told, and, of course, Mr. Mayer's testimony is entirely hearsay, except as to his making a demand himself, and then he doesn't say he ever made any on me, but that is to the Federal Trade Commission.

I think you will find that in October, or at any rate about the time the President made the report public—and that report said they were going to issue some further reports—and then the packers, I am told, did come here, and wanted to make explanations to the Federal Trade Commission in regard to the hearings that were before them, for the purpose of convincing them that they were wrong in their first report and that these reports should not be along the same lines.

But there is not a word of testimony anywhere by anybody claiming to have asked me for permission, that anyone ever asked me for permission to have an attorney examine a witness and was refused. Nor did I ever say that it could not be done. But I did say that the hearings were not held on the theory that they had the right to appear by attorney; and I did say, further, as shown at the Boston hearings—and I do not know whether you were here, Mr. Dewalt, when I read that or not.

Mr. DEWALT. Yes; I have been here all the time.

Mr. HENEY. All right. Well, it was a part of that Boston hearing. I said that the right did not exist, but we would be glad to hear any witness who presented himself. The packers never presented a witness, and they admit that they never presented one. And they never had one ask to be heard, and they admitted that over at the Senate committee hearings. But I called their representatives. I went to Armour & Co. and examined Mr. Croll, the treasurer, under oath. And I called Mr. Borders, the attorney for Morris & Co., and put him on the witness stand in Chicago; and we swore all our witnesses, but the minute he was sworn he claimed immunity and declined to answer on account of the fact, as he stated, that it would tend to incriminate him, and he declined to answer unless immunity was given him.

Mr. DEWALT. May I interrupt you a moment?

Mr. HENEY. Yes, sir; I will be glad to have you do so.

Mr. DEWALT. Were you still taking testimony or conducting proceedings at the time Mr. Mayer alleges he made a request of the Federal Trade Commission for a hearing?

Mr. HENEY. I never heard of any request. I did not know of any and never heard of it.

Mr. DEWALT. I say, his alleged request.

Mr. HENEY. I say, I never heard of it, and do not know when he says he made it. I did not gather from that testimony when he specified that he made it.

Mr. DEWALT. Just one more question, please.

Did you at any time during your conduct of these proceedings receive any notification from the Federal Trade Commission that such request had been made by Mr. Mayer?

Mr. HENEY. Never.

Mr. DEWALT. Then, conceding for the sake of the argument that he did make a request, you never received any notification of it at all?

Mr. HENEY. Never. I saw this letter to the President.

Mr. DEWALT. Well, now, Mr. Heney, as fair men, of course, we do not presume here to be lawyers, the most of us; even though Gov. Sanders seems to have convinced you that he was somewhat of a lawyer, but as a fair lawyer, wouldn't you say that that letter which has been produced before this committee in reference to the conduct

of the proceedings, and the assertion that they had not been given an opportunity to hear what was said and present their side of the case, and cross-examine witnesses, was at least a complaint?

Mr. HENEY. Yes, I would, and when I saw the letter I knew the letter was not true, because I had been conducting the hearings and knew they had made no application.

Mr. DEWALT. Doesn't it resolve itself into just exactly what I said, a question of veracity between yourself and Mr. Mayer?

Mr. HENEY. No; because Mr. Mayer does not claim that he made any request otherwise than through this letter, so it does not resolve itself into a question of veracity between us at all.

The CHAIRMAN. Shall we not let Mr. Heney continue with his statement?

Mr. SANDERS. No; we want to go into this matter while it is before us.

Mr. DEWALT. I think we might take up these questions as we go along. They are very important.

The CHAIRMAN. All right. I am perfectly willing that the committee should follow its own pleasure, but I merely suggested that perhaps it would be better to let Mr. Heney proceed with his statement before we began an examination of him.

Mr. PARKER of New York. I want to ask a question there.

The CHAIRMAN. Proceed.

Mr. PARKER of New York. What is the date of that letter to the President?

Mr. HENEY. January 11, 1918.

Mr. PARKER of New York. In his answer to Gov. Sanders Mr. Mayer specifically stated he had made two requests of the Federal Trade Commission prior to that date.

Mr. HENEY. In this letter?

Mr. PARKER of New York. In answer to questions propounded by Gov. Sanders during the investigation here.

Mr. HENEY. Well, if he had I never heard of them.

Mr. PARKER of New York. I grant you that. There seems to be some misunderstanding as to the date in your mind.

Mr. SANDERS. He said that he made two trips to Washington, but failed to get an answer to his request made of the Federal Trade Commission, and then that he wrote a letter to the President.

Mr. HENEY. Well, I did not know about that.

Mr. PARKER of New York. Mr. Mayer said he made requests of the Federal Trade Commission.

Mr. HENEY. Well, I didn't know about that.

Mr. PARKER of New York. You were acting as counsel and were conducting the investigations.

Mr. HENEY. I am advised by Mr. Barrett, who is employed by the Federal Trade Commission, that Mr. Colver is prepared to answer that proposition. I know absolutely nothing about it and never heard of any such thing.

Mr. PARKER of New York. I thought the matter of the date was not entirely clear.

Mr. HENEY. I hope if Mr. Colver, or any other member of the Federal Trade Commission, appears here, that in justice to me, as I am leaving town to-night, that some member of the committee will ask him whether, if they did receive any communication of that kind, they

ever communicated that fact to me. Because I assert here and now most positively that I never heard of any application for a hearing by anybody at any time that was not granted, with the exception of one man in Philadelphia.

Mr. SANDERS. I want to straighten this thing out to this extent: The impression created upon my mind, and I believe upon the minds of the members of the committee as a whole, by Mr. Mayer's testimony was that he or his clients had been demanding the right to be heard at the time that you were conducting the hearings. Now, Mr. Heney, what I want to ask you is, at any of the public hearings that you held did you deny to any one the right to be sworn and give his testimony?

Mr. HENNEY. Yes; in the case of one man named Robertson or Murphy, and I forget which; one of the two men.

Mr. SANDERS. Whereabouts?

Mr. HENNEY. That was in that fight that came on in Philadelphia on the rendering business. Robertson was the manager of the New England Rendering Co., and Murphy was the man who went down there and started in the rendering business, and it started off at the time I was investigating that matter. I thought at that time that the matter ought to go before the Department of Justice immediately, and either Murphy or Robertson, and I forget which of the two men, came to me a couple of times in the court room and said he would like to testify, and I said, "No: I am not going to give you any chance to testify because this matter will be turned over to the Department of Justice."

Mr. SANDERS. Then, as far as you know, the five big packers had every opportunity to testify themselves before your commission at your hearings, if they offered themselves as witnesses.

Mr. HENNEY. I would have welcomed any one of them as a witness at any time. And I did put their superintendents on where I went, like the superintendent of the Cudahy Packing Co. up in Omaha. I subpoenaed him and put him on. I would subpoena any executive officer that I thought I could get information from that was desired. The only thing I drew the line at was subpoenaing any one of the principals, because I felt I was obligated not to take any chance of creating a situation such as occurred when the packers were indicted in 1905, and Judge Humphrey held that they were entitled to immunity by reason of the fact that the corporation commissioner had secured testimony from them under conditions which he construed as giving them the right to immunity. Now, gentlemen of the committee, that is all I wanted to avoid.

When I went up to take the testimony of Mr. Croll, the treasurer of Armour & Co. Mr. Armour and Mr. Arthur Meeker were there, and I told them exactly what I wanted to do and they said they wanted their attorney there, and we waited for Mr. Charles J. Faulkner, jr., attorney for Armour & Co., to come, and Mr. Faulkner sat there and advised his clients from time to time as we went along. I was glad to have it done.

Mr. SANDERS. One other question, or series of questions, and you can answer these yes or no. At any hearing did Mr. J. Ogden Armour present himself and ask to be sworn and to testify?

Mr. HENNEY. Never.

Mr. SANDERS. If he had asked to do so, would you have permitted him to do it?

Mr. HENY. Most assuredly. And——

Mr. SANDERS (interposing). Wait a moment, I want to ask you further. I now ask the same question in regard to Mr. Swift. Did he present himself?

Mr. HENY. Never.

Mr. SANDERS. Would he have been sworn and his testimony have been received if he had presented himself?

Mr. HENY. He most assuredly would.

Mr. SANDERS. I want to ask the same question in regard to Mr. Morris.

Mr. HENY. And I make the same answer.

Mr. SANDERS. And I want to ask the same question in regard to Mr. Wilson.

Mr. HENY. And I make the same answer.

Mr. SANDERS. And I ask the same thing in regard to Mr. Cudahy.

Mr. HENY. And I make the same answer.

Mr. MONTAGUE. What authority did you have to say whether a witness should or should not be sworn? Did not that authority rest with the Federal Trade Commission and not with you?

Mr. HENY. It did, as a matter of course.

Mr. MONTAGUE. You talk all the time as if you alone had the authority, and so I ask the question: What authority did you have to exclude or permit witnesses to appear and testify?

Mr. HENY. I am answering that personally, because I am charged with it.

Mr. MONTAGUE. I do not know anything about the charges.

Mr. HENY. I have been charged in the newspapers and otherwise with having refused to do these things.

Mr. MONTAGUE. You stated that when this man Robertson came to you, you told him he could not testify.

Mr. HENY. That is right.

Mr. MONTAGUE. What right did you have to say that? Was not that authority, if to be exercised at all, to be exercised by the Federal Trade Commission?

Mr. HENY. Well, it was discussed by me with Commissioner Fort at the time. I did not assume to take the authority of determining the thing.

Mr. MONTAGUE. I asked you that question because I wanted to bring it out. The assumption seemed to be there that you alone were determining that matter.

Mr. HENY. I am speaking in a personal way because the matter seemed to be referring to me.

Mr. MONTAGUE. I am glad I brought it out, because your answers seem to be of rather a robust character.

Mr. HENY. Well, I am rather an aggressive character, and might be so understood by my answers.

Mr. MONTAGUE. I am not criticizing you for that.

Mr. HENY. I am rather positive in my actions, and possibly it might have been misunderstood as me doing that.

Mr. MONTAGUE. I wanted to see if your aggression overran the jurisdiction of the commission.

Mr. HENY. I think not; and the commission would not have indorsed what I did as fully and completely as they did, by assuming all responsibility for it, if they had not been impressed with the fact

that I deferred absolutely to their discretion and judgment in these matters.

Mr. MONTAGUE. The only reason I asked the question was that, and I wanted to be candid with you, Mr. Heney.

Mr. HENEX. I understand. I am also a very earnest man, and that carries with it sometimes the impression that I am excited or angry, or something along that line, when as a matter of fact I am not. It is a mannerism which has caused me considerable inconvenience in many ways.

Mr. MONTAGUE. Some others are that way.

Mr. SANDERS. Mr. Heney, you were the attorney for the Federal Trade Commission in the making of these investigations, were you not?

Mr. HENEX. The commission voted that I should be authorized to hold any public hearings at any points that in my judgment were proper. I was given full authority to do it by resolution of the commission, and the commissioners—I wanted always to have a commissioner with me, and the entire commission sat when we held hearings in Washington, and Victor Murdock went to Boston for the next hearing; and in the next hearing, at Philadelphia, Commissioner Fort went; and then in the next hearing, at St. Paul, Commissioner Davies went. After that I was not able to get any commissioner to go out, because they were so busy with other matters that they could not leave, and I had to use an examiner in Chicago, and I went up to Omaha and then went to Kansas City. Those are the only other places I went to.

Mr. BARKLEY. At those places where there was a commissioner present, in reference to any matter of controversy, such as the exclusion of a witness, you consulted with the commissioner, and your action, whatever it was, was approved by him, I suppose.

Mr. HENEX. Oh, yes. But it never came up but once. That one time was the only time when——

Mr. BARKLEY (interposing). Let me finish and take up another question while I have it in mind. It has been charged by the packers in the testimony before this committee that you or your examiners purloined from their files certain letters without purloining the preliminary or subsequent matters in that connection that occurred, either by correspondence or otherwise, and that they were never given any opportunity to explain what came before or what followed, or what might have followed. Did any one of those men ever ask, in relation to any letter taken from their files, the right to explain before you, or the commission, any previous correspondence on the subject, or any subsequent correspondence on the subject, which opportunity was not given to them?

Mr. HENEX. No one of them ever did ask for it. Occasionally, when an investigator or examiner was looking through the files and found a letter which would indicate there was an answer to it, and he could not find the answer, he would ask for it, and hunt for it, and if there was anything else on the subject, his instructions were to get everything on the subject that had a bearing upon the particular thing of interest. There were so many hundred thousands of letters it was impossible for these different investigators who were going through the files—and I did not go myself, you understand—but it

was impossible for them to tell always what would be of any importance to bring. We had to trust that to the judgment of the particular man, but his instructions were to bring everything on the subject; that if he found a letter that looked as if it was of importance to bring it. Of course, he would not bring the original letter, but got a copy. He was to get a copy of every letter he thought of any importance, but at no time did they ever give them any copies of other letters. And over before the Agricultural Committee of the Senate, the statement was made that we did not put in all there was on the subject. I think Prof. Weld—and I notice these statements are always made by some one who speaks from hearsay, and not by a man who had charge of the files, or under whom the inspection was made or the letters taken, but the man who gets it from somebody else does the testifying in regard to it. But Mr. Weld was invited to produce before the Agricultural Committee any letter or letters which he thought or they thought would help us in explaining the matter. Mr. Weld produced one letter which he thought or they thought would help us in explaining the matter. Mr. Weld produced one letter which he said he thought ought to have gone in with another letter that was printed in part 2 of the Federal Trade Commission's report. And I want to say that there is a letter printed there which is substantially the same thing as that letter, a letter written a month before, and which covers exactly the same subject, and shows exactly the same thing. And the report itself states that there were other letters, but this is illustrative of the situation. The letter he produced has nothing in it of substantial import which is not in the letter which is printed in that report.

Mr. BARKLEY. Is that the only letter submitted in response to that request to submit any further correspondence?

Mr. HENEX. They have not produced any yet.

Mr. BARKLEY. Well, it occurred to me, in view of that complaint, that it might have been justified by producing some letters here, which was not done, according to my recollection, to further explain the character of these mysterious doings on the part of the Federal Trade Commission, and I wondered if any were produced in the Senate hearings.

Mr. HENEX. No; there were not. Each of the examiners was instructed to ask questions of the operatives in charge of the department where the letters were, if there was anything further which would explain the matter; and if he asked questions, the examiner was to make a report of the answer made. And the examiners were told not to make any answer, or rather not to make any request of any one of the principals, but if he volunteered an explanation to take it.

Mr. BARKLEY. That is all.

Mr. DEWALT. The date of that letter to the President is what?

Mr. HENEX. January 11, 1918.

Mr. DEWALT. It is not clear to my mind yet as to whether you confirm or deny that you were engaged by the Federal Trade Commission at the time that Mr. Mayer alleges he made this request for a hearing. Evidently this request for a hearing was made prior to the writing of that letter. That is so, isn't it?

Mr. HENEX. Yes, sir; according to that testimony there it is.

Mr. DEWALT. And you were in the employ of the commission at the time this letter was written. That is so, too, isn't it?

Mr. HENEY. Yes, sir; and before that time.

Mr. DEWALT. What is that?

Mr. HENEY. And for some time before that time.

Mr. DEWALT. But you do not know whether you were in the employ of the commission at the time he alleges he made the request?

Mr. HENEY. I do not, Mr. Congressman, because my employment started in July, 1917, and he might have made his request at any time after the President directed the investigation in February, but I would like to say that when I asked Mr. Swift to produce any request he had ever made, he said, "This is the only one," and produced a telegram he had sent to the Federal Trade Commission in February, 1917, shortly after the President had directed the investigation to be made.

Mr. DEWALT. And your engagement commenced when?

Mr. HENEY. My engagement commenced in July, 1917.

Mr. DEWALT. 1917?

Mr. HENEY. Yes, sir; early in July.

Mr. DEWALT. So that if Mr. Mayer's request was subsequent to July, 1917, then you were in the employ of the Federal Trade Commission?

Mr. HENEY. If it was subsequent to July, 1917, and prior to January 11, 1918, yes; I was, but Mr. Mayer testified that he made no request at any time of me, and consequently it does not raise any question of veracity between Mr. Mayer and myself.

The CHAIRMAN. You may proceed now with your statement, Mr. Heney.

Mr. STEPHENS. As I understand, the testimony does not show the date when he made the request or to what person.

Mr. HENEY. No.

Mr. SANDERS. Yes; it does.

Mr. HENEY. Prior to the date of this letter?

Mr. SANDERS. The testimony shows the names of the commissioners of the Federal Trade Commission that he interviewed asking for an investigation, or rather an opportunity to be heard. I asked him for the names and he told me.

Mr. MONTAGUE. But it is not a question of veracity between Mr. Mayer and Mr. Heney. Mr. Mayer made the request of the Federal Trade Commission. That is the reason why I asked the question of Mr. Heney a little while ago, when he said he excluded the witness, Robertson, whether he had authority to exclude witnesses or whether the Federal Trade Commission had that authority.

The CHAIRMAN. It is now about time for the recess.

Mr. STEPHENS. I would like to ask Gov. Sanders to state whether or not Mr. Mayer said in his testimony there to what commissioner he made this request.

Mr. SANDERS. He said he made request of the commissioners, and it is right in the record what he said.

Mr. HENEY. Mr. Chairman and gentlemen of the committee, I will state that I will stay over until to-morrow night. This is so interesting that I want to give the members of the committee a chance to ask all the questions they desire.

The CHAIRMAN. Very well. We will now take a recess until 2 o'clock.

(And at 1 o'clock p. m. the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled, after the taking of recess, at 2 o'clock p. m.

The CHAIRMAN. The committee will come to order. Will you proceed with your statement, Mr. Heney, where you left off?

STATEMENT OF MR. FRANCIS J. HENEY—Continued.

Mr. DECKER. I had just started to ask a question along the line of Mr. Heney's last answer.

The CHAIRMAN. All right; proceed.

Mr. DECKER. In his testimony Mr. Swift, of Swift & Co., stated that on October 10, 1918, he sent the following telegram to Mr. Colver:

CHICAGO, October 10, 1918.

Mr. W. B. COLVER,

Chairman Federal Trade Commission, Washington, D. C.:

The summary of your report on the meat-packing industry, dated July 3, 1918, and released for publication August 8, 1918, contains many very serious charges against Swift & Co. which we feel are not based on a correct interpretation of the evidence collected.

Swift & Co. believes that it should have been given an opportunity to discuss and explain the evidence and data collected by the commission in its investigation of the meat-packing industry before the publication of the summary, and that such explanation would have saved the commission from doing the packing industry a serious injustice.

It is to be presumed that the commission's full report, when published, will contain the evidence and data collected in its investigations, together with its conclusions and recommendations.

For the purpose of pointing out to the commission the full meaning and significance of the data it intends to publish in its full report, Swift & Co. requests that it be permitted to submit for the consideration of the commission its explanations and interpretation of the evidence and data collected in its investigation, and, for the purpose of preparing its explanation and interpretation of said evidence and data, Swift & Co. requests permission to go over said evidence and data with the examiners of the commission.

Swift & Co. will accommodate itself to any reasonable requirements that the commission may deem necessary or proper in the premises and will in every way possible facilitate such examination and consideration of the evidence and data collected by the commission.

SWIFT & Co.,
LOUIS F. SWIFT,
President.

Was that telegram sent before you were through with your connection with the commission?

Mr. HENEY. Long afterwards. My connection was severed on March 31, 1918.

Mr. DECKER. And this was in October?

Mr. HENEY. And the gathering of evidence practically ceased then. There were a few examiners out under the commission's direction without my having anything to do with it for a short time afterwards.

Mr. DECKER. I would like to ask you simply for information, because you might throw some light on the question from your experience with this kind of work—what harm, if any, could have been done by allowing them to do as they requested to do in this telegram?

Mr. HENNEY. Well, it is a very unusual proceeding, as a matter of course. In effect, it amounts to this: Here is a commission which has been at work for, at that time, more than a year gathering evidence, and it had already made a preliminary report to the President, in which it gave its findings of fact, and after that had been made public by the President they said they wanted to discuss with the Federal Trade Commission the evidence that had been gathered, in an endeavor to persuade the Federal Trade Commission that it was wrong in the findings which it had made. In the first report the commission announced that this report was to be followed by other reports, in detail, and they wanted to take up and discuss with the commission what its findings ought to be. That is somewhat like asking a court, after it has decided a case, to permit the attorneys for one of the parties to come and reexamine the evidence with the court and persuade the court that it is wrong in its judgment.

Mr. DECKER. I agree with you on that, but I also agree with what you said in your statement at Boston. That is, what I glean from your statement, that this is not in the nature of a trial. In other words, you were investigating according to law, but still it was a more informal proceeding than what would occur before a grand jury or in a court.

Mr. HENNEY. Yes.

Mr. DECKER. And I will be frank to you in saying that I can not quite see what harm could have been done even at that late day if you had let them make their statement, or if the commission had. I am not holding you; I am asking you as a witness what harm could have been done to present, even at that late date, their side, since it was not in the nature of a trial?

Mr. HENNEY. I do not see where there could have been any harm in permitting them to make a statement as to any evidence gathered by the commission, particularly as to evidence that had been presented to the commission long before that. They have had full opportunity to do that before this committee, and also before the Senate Agricultural Committee, and if any one of them has explained a single document in that entire Part II, or in Part I, satisfactorily, other than the lard compound document. I have failed to learn about it.

Mr. DECKER. I also examined Mr. Armour relative to his effort to be heard in this matter, and, to be frank with you, I am in doubt now whether that effort was made after that preliminary report came out, or before, and I am going to read you this testimony and ask you if there is anything in it that would give you a basis on which to form an opinion as to the time he referred to. I was asking Mr. Armour some questions about his not having a chance to present his side of the case before the commission, and Mr. Mayer interrupted the witness, as follows:

Mr. MAYER. May I be permitted, Mr. Armour, to answer that question?

Mr. ARMOUR. Yes.

Mr. MAYER. I made a special trip, gentlemen of this committee, to the general manager of the Associated Press, Mr. Melville E. Stone. I went to

New York to see him. I had a right to see Mr. Stone because for some time my firm had been counsel for the Associated Press, and they existed and did business in Illinois as an Illinois company. I knew Mel Stone so well that we called each other by our first names, and I have known him many years. I told him the way in which the Federal Trade Commission was proceeding, the manner in which it was examining witnesses without permitting us to attend, to examine, or to cross-examine, or explain or answer, was a gross injustice, a very serious injustice. He agreed with me. We came to an understanding; I thought we did, that is, that we might reply to the day's proceedings before the Federal trade inquiry. You may remember that at that time inquiries were proceeding all over the country—in Boston and New York, in Philadelphia and Chicago, and possibly farther west. After I returned home I received a letter from the assistant manager, Mr. Martin, saying that they could not consent to the packers, or Mr. Armour, or me, speaking for Mr. Armour, making any statement unless—and in that I do not mean to criticize him; I think he was right on reflection—unless he could report our statement as given in an open hearing. In other words, that the Associated Press, which we all know is the great instrumentality for the distribution of news throughout the country, some 2,000 papers, could only publish testimony or statements made before a public body, as Mr. Armour has been giving his testimony here.

Thereupon Mr. Armour and I went to Washington. We saw two members of the Federal Trade Commission, both honorable men, both meaning to do right as they see it, and explained to them, and, gentlemen of the committee, I wrote a personal letter to the President of the United States upon the subject. We could get no publicity in any way, except occasionally Mr. Armour would issue a statement of 5 or 10 or 20 lines denying some particular charge of some heinous felony which the Federal Trade Commission and examiners were exploiting in their propaganda to the public. We could get no opportunity, and when this committee was appointed Mr. Armour and I, as his attorney, hailed with delight that words can not describe the opportunity which Mr. Armour would receive at your hands for the first time in his existence an opportunity to tell the truth.

Do you not glean from that that he made this effort while you were having these hearings over the country?

Mr. HENEY. No; I do not.

Mr. DECKER. Do you glean from that that he meant to give us the impression that the effort was made while you were having the hearings?

Mr. HENEY. He certainly meant to give you that impression.

Mr. DECKER. Then, to get down to brass tacks, as Mr. Dewalt said, there is a slight question of veracity somewhere along the line.

Mr. HENEY. Not as between Mr. Levi Mayer and myself.

Mr. DECKER. He and the packers either tried to get a hearing from somebody in authority or else they did give us the wrong impression. That is true, is it not?

Mr. HENEY. Absolutely.

Mr. DECKER. So the people we ought to go to about that are the commission, to see what their view of it is. In other words, they do not claim specifically that they ever came to you, but they do claim they came to the President of the United States and that they came to the commission themselves.

Mr. HENEY. And they also admit that they did not come to me.

Mr. DECKER. And, of course, you admit the proper ones for them to come to were really the commission, and then the commission, if they wanted your advice, could consult you?

Mr. HENEY. I do, except with this limitation, that when a public hearing is going on and a man wants to be heard, the natural place to apply is at the hearing.

Mr. DECKER. I will admit that, too.

Mr. HENNEY. And hearings were taking place for a month or more in Chicago, where all these big packers are, and where Levi Mayer was.

Mr. DECKER. They could have asked to be heard at these hearings?

Mr. HENNEY. There is not any question on earth but what these packers would have come to one of these hearings and made inquiries so as to have the record straight; there is not any question but what they would have written me a letter to have had the record straight. The fact that they did not do so is almost conclusive evidence, beyond any reasonable doubt, that they did not want to be heard, because they have attorneys who are as clever and ingenious as any men I have ever come in contact with in my 36 years of experience in court. Levi Mayer is not the least in ability of those men, and Henry Veeder is pretty hard to surpass, and those men, with additional attorneys—every one of them having an attorney—certainly knew how to make a record, and where is the record?

Mr. DECKER. I notice in reading over the testimony that the report refers to some buyers that specifically stated that there was no competition, and I believe the report says that as a protection to these men their names were not given. Were you going to touch on that?

Mr. HENNEY. I do not know who that refers to, but there were buyers who testified there was not any real competition; they testified to that in some of these open hearings.

Mr. DECKER. They had been in the employ of these companies.

Mr. HENNEY. Oh.

Mr. DECKER. I forgot the reference, but I think Mr. Esch knows.

The CHAIRMAN. I will state that the committee wrote a letter about that, and Mr. Colver said he is going to appear before us.

Mr. SNOOK. Have you read the testimony of Mr. Colver?

Mr. HENNEY. No; I have not had time to read it.

Mr. SNOOK. On this question of whether the packers were permitted to call witnesses and cross-examine, Mr. Dewalt asked a question, and the testimony shows the packers' view. I want to call your attention to something in Mr. Colver's testimony. I am reading from page 18, part 1, of Mr. Colver's testimony, the last two questions and answers were as follows:

Mr. DEWALT. Let me ask you another question. You say they were not at your hearings. Were those hearings private hearings?

Mr. COLVER. They sat in the room at the hearings. Yes; they were at the hearings in that way, but I mean to say that they had the ear of the commission and did come and talk to the commission; but, wait a minute, and you will pardon me, because I do not want to seem to make it appear now that I am trying to avoid the question. I mean I do not want this record to appear that I am trying to avoid the question that these gentlemen were not permitted to call witnesses nor to examine the witnesses who were called. That is a fact. They were not allowed to do that.

Mr. DEWALT. Then we have the definite statement by you, as I understand it, that these five concerns, concerning which complaint is made, did not have the opportunity to call witnesses on their behalf, nor did they have the opportunity to cross-examine the witnesses that were heard before you?

Mr. COLVER. That is an exact statement.

Do you understand that to be the fact?

Mr. HENNEY. That is not a fact.

Mr. SNOOK. That is Mr. Colver's testimony.

Mr. HENY. Mr. Colver never attended any meetings, except the meetings held in Washington. At those meetings which were held in Washington there were nearly always two or three commissioners present. Sometimes they would drop off, and only one would be present. There is not a single instance in which any person asked to be heard at any one of those meetings who was not heard. There is not a single instance in which any representative of the big packers asked to be heard at any meeting attended by Mr. Colver.

Mr. SNOOK. I think he says that in his testimony—that they did not ask.

Mr. HENY. So what he meant by that I do not know.

Mr. SNOOK. You think that is not a fact as stated by him?

Mr. HENY. I think that is an error.

Mr. MONTAGUE. There is not any trouble as to what he means?

Mr. HENY. Certainly.

Mr. SWEET. Were any of the packers or representatives present at the hearings here in Washington?

Mr. HENY. I do not doubt but what they had representatives present at every hearing that was held, because I know they have men in Washington—their lobbyists in Washington—and they had a certain man go and sit in—I have forgotten his name—and they had him get a copy of the testimony taken each day.

Mr. SWEET. Did you know them as representatives of the packers at the hearings?

Mr. HENY. No.

Mr. SWEET. Did they make themselves known to you?

Mr. HENY. No. Of course, I know by sight a number of the regular attorneys of the packers, and I do not recall to what extent I saw them around the courtroom. I know I did a number of times in Chicago see some of them in the courtroom, but I would not be able to specify just when or who.

Mr. SWEET. Were they present at your Boston hearings in any way?

Mr. HENY. Not in any way that I know of.

Mr. SWEET. There was no one there you recognized as representing the packers or being connected with the packers at that hearing?

Mr. HENY. No one; and the same is true of Philadelphia; the same is true of St. Paul, as far as attorneys are concerned; and the same is true of Omaha and Kansas City, so far as attorneys are concerned. As to Chicago and Washington, my memory does not serve me well enough to say whether I ever saw any of the packers' attorneys in the courtroom at the time of the hearing or not. I am inclined to think I did see them occasionally in Chicago, some of them, and that I did in Washington.

Mr. SWEET. At Chicago, were they in the habit of conferring with you as the representatives of the packers at the hearings?

Mr. HENY. No.

Mr. SWEET. Did Mr. Mayer consult with you at the hearing in Chicago in regard to any proceedings at that hearing?

Mr. HENY. He did not, and he testified before the Senate committee that he never met me but once in his life until he met me in Washington, and at that time it was in his office in Chicago within the past two months.

The CHAIRMAN. You mean this winter, in Washington?

Mr. HENEY. Yes; at this hearing of the Senate committee.

Mr. SWEET. Did Mr. Veeder confer with you in Chicago at that hearing?

Mr. HENEY. No.

Mr. SWEET. On any question?

Mr. HENEY. Never, except the time I went to Mr. Veeder's office for the purpose of examining papers in the vault, and then we discussed the question as to whether or not I should see those papers, and he refused to permit me to have the kind of access which I claimed the right to. He said if I could specify the paper that I wanted to see he would decide whether he would let me see it or not.

Mr. SWEET. But you did not at that time discuss anything in connection with his being represented at the hearing?

Mr. HENEY. Not a word, and he never suggested or intimated that he desired to be heard, and he so admitted before the Senate committee, and it is in the record, that he never, at any time, spoke to me on the subject.

Mr. RAYBURN. You said none of these people ever came to you and requested a hearing. They say, or at least Mr. Mayer said, he came to the Federal Trade Commission, and in the light of Mr. Colver's testimony speaking for the commission when he appeared here, if they had made this request, it would have been refused by the commission, would it not, in the light of what Mr. Colver has said here?

Mr. HENEY. I do not believe it would, from what I know of what the commission said to me.

Mr. RAYBURN. I thought Mr. Colver was speaking for the commission on this matter?

Mr. HENEY. I can not throw any light on that question.

Mr. RAYBURN. Would you construe, from Mr. Colver's language just read by Mr. Snook, that that would have been his attitude?

Mr. HENEY. Yes; and I would say to the committee I would be justified in drawing that conclusion from that testimony; but I say, on the other hand, from my talks with the commissioners that I have no reason to believe any such thing would have happened.

Mr. SANDERS. How do you suppose he could get the impression that he could not properly permit these gentlemen to come before the commission except upon advice of some one skilled in the law?

Mr. HENEY. Who, Mr. Colver?

Mr. SANDERS. Yes. He evidently had the impression that that ought not to be permitted.

Mr. HENEY. He is the only man that can tell you how he got that impression; I am sure I can not.

Mr. SANDERS. I asked that question preliminary to another. I am accepting your statement, understand; and yet you were the counselor adviser of the commission, employed at a liberal salary for that purpose.

Mr. HENEY. At one-fourth of what I have made every month since in cash.

Mr. SANDERS. I am not discussing that and I am not going to go into it at all; but in a discussion before the Appropriations Committee Mr. Colver stated, referring to your salary in that connection,

that it was a matter more of having one-man direction. I will read the whole statement:

It would be a matter of having more one-man direction than one-man execution.

That was in answer to the inquiry why the commission thought it advisable to expend the amount authorized in the law for the payment of a lawyer, thereby inferentially—

Mr. HENEX. Let me explain what that situation was. The Federal Trade Commission, long before they employed me—I do not know how long before, but before they employed me—they determined among themselves how they would apportion this investigation of the high cost of living, and they passed a resolution, which they put in their records, appointing Joseph E. Davies, who is a lawyer, and who is a good one—

Mr. SANDERS. He was instrumental in employing you?

Mr. HENEX. They turned over to him the investigation of the meat packers in the investigation of the high cost of living; they turned over to Colver the investigation of the grain business; and they turned over to Commissioner Fort, I think it was, canned goods. So they had divided this up among themselves. Now, their employment of me was entirely through telegrams, so it is all in writing; it is easy to see it. Their first offer I declined. It was that I be employed to act with Mr. Davies in that end of the investigation. I declined on two grounds: First, that the compensation offered I could not afford to accept. It means for a man to leave Los Angeles and be away one year, that any lawyer knows when he goes back his business will be all gone. The second proposition was that I was unwilling to be connected with an investigation of this kind, knowing from past experience what would result from it in the way of vilification and abuse, unless I could be in a position of responsibility and of power in conducting the investigation. In the first place, if I went into it I did not intend to be pulled down by anybody. I could be thrown out, but not pulled down. I intended to go through, regardless of who might be hit by it, if I had anything to do with it whatever. Consequently I declined unless I was given a position in the matter where I would have, as I understand it, control of the investigation. I received a telegram saying that the commission had decided to give me control of the investigation and stating that they accepted my terms, and asking how soon could I come, and I said I would start in three days or four days, and I did; but Commissioner Davies continued to have charge of the meat investigation.

Mr. SANDERS. Was he not busy with another enterprise about that time?

Mr. HENEX. He did not get busy with that until some little time afterwards. I started in July, and he did not get into the other matter until later. The man did not die until long after we got into this thing.

Mr. ESCH. He died on the 21st of October.

Mr. HENEX. So Commissioner Davies had charge of the meat end, Colver of the grain end of it, and Fort the canned-goods end of it, and I was a sort of general counsel. They have a regular legal staff there, and the regular legal staff was used on the grain end of it. Two or three of them were at Minneapolis and St. Paul, and I saw

very little of them. On the investigation end of it Joe Davies was in direct control and charge of it. I consulted with him frequently. As far as the law of that subject is concerned, he knew more about it than I did; he drafted the law to have the Federal Trade Commission——

Mr. SANDERS. In other words, Mr. Davies' advice controlled the action of the commission very largely, if not completely?

Mr. HENRY. No; I would not say that, because I do not know to what extent any man accepted his advice and acted upon it. I can not say what induced Victor Murdock to vote a certain way, or what induced others to vote.

Mr. SANDERS. I mean as to the policy of the commission.

Mr. HENRY. No. Gov. Fort went over the matter with me, and he has been on the Supreme Court of New Jersey, and he is a fine lawyer, and he did not have to ask anybody what he ought to do, and did not ask what he ought to do in regard to the examination of witnesses and that sort of thing.

Mr. MONTAGUE. You said Mr. Davies was a good lawyer and he drafted the law to have the Federal Trade, and then you stopped.

Mr. HENRY. I understand he had a good deal to do with drafting the Federal Trade Commission law. I know he made a report to the President on the matter of that law.

The CHAIRMAN. He was Commissioner of Corporations at the time?

Mr. HENRY. Yes.

Mr. SANDERS. It is conceded that Mr. Davies had considerable influence on the President and probably on the commission.

Mr. HENRY. I do not concede that it was a question of influence on the President. I think the brief prepared by Mr. Davies in regard to the Federal Trade Commission was a document that will appeal to any lawyer as being a magnificent piece of work and demonstrating the constitutionality of it.

Mr. ESCH. Mr. Davies did present that document you refer to. This committee drafted the Federal Trade Commission act through a subcommittee, but Mr. Davies, however, did not appear before the committee and personally give us his advice.

Mr. HENRY. I knew he had made a report and he had written a book.

The CHAIRMAN. Also, Mr. Esch, the law, or the enactment into law, as establishing a trade commission, contemplated taking over the duties of the Commissioner of Corporations, and it was current talk that Mr. Davies would be one of the members of the Federal Trade Commission.

Mr. MONTAGUE. It was not a question of administration; it was a question of who drew that bill, and I understood him to say Mr. Davies did it.

Mr. HENRY. I was under the impression he had something to do with the drafting of the bill. I doubtless drew that inference from the fact that I had heard he made this report to the President, and I had read this book that contains practically the report that was made to the President.

Mr. PARKER of New York. Would not it be a fair inference to draw from the testimony of Mr. Mayer and Mr. Colver that Mr. Mayer had made a request of the chairman, or perhaps Mr. Colver

himself, for a hearing? Would not that be a fair inference to draw from the testimony of those two gentlemen?

Mr. HENEY. If you mean, do not those two pieces of testimony put together irresistibly lead to that conclusion, I should say "No."

Mr. PARKER of New York. Why not?

Mr. HENEY. For the simple reason that Mr. Mayer has not stated when it was that he went before the commission.

Mr. PARKER of New York. I think he did.

Mr. HENEY. He stated it was before January 11, but that is as far as he goes in specifying the time.

Mr. PARKER of New York. He stated in his letter to the President of January 11, 1918, that twice previous to that he made request of the commission.

Mr. HENEY. You ask my opinion as an expert lawyer, and I say the fault of this entire testimony is that it is a conclusion rather than a statement of fact. Neither witness has stated that on any particular occasion anybody ever did make any particular request.

Mr. PARKER of New York. He stated specifically he had made the request, and Mr. Colver states he would not grant the request.

Mr. HENEY. That is true in a sense.

Mr. PARKER of New York. I think it is literally true.

Mr. HENEY. I do not, for the reason that a witness will frequently state what is actually a conclusion. It sounds like a statement of fact, and a cross-examination will always develop whether it is a conclusion or a statement of fact.

Mr. PARKER of New York. You would expect either of those gentlemen would be rather inclined to be accurate—either Mr. Mayer or Mr. Colver to be accurate?

Mr. HENEY. Yes. I would expect them to be; but I would also expect a lawyer to be definite, and Mr. Mayer was not definite at all; and I know that if Mr. Mayer could have specified a time and a place where he actually did make a specific request, he would have done it, because he is too able a gentleman, too able a lawyer, not to have done it. You ask me for an expert opinion, and I am giving it.

Mr. PARKER of New York. Well, I can not get away from the testimony Mr. Snook read.

Mr. HENEY. I am not trying to get away from it.

Mr. PARKER of New York. It does not implicate you in the slightest. I am accepting your statement that no request was ever made to you personally; but of course you were not the commission; you were simply representing the commission.

Mr. HENEY. That is all.

Mr. MONTAGUE. Do you not accept it by telegrams and other written evidence stating that you would not undertake this work unless you had your own full authority in the matter, saying that you would not be pulled down and directed at all?

Mr. HENEY. That is true.

Mr. MONTAGUE. Did you not mean the whole thing, that the commission had nothing to do with it, so far as you were conducting it?

Mr. HENEY. No, sir; that is not what I meant by the telegrams, either. I said full direction.

Mr. MONTAGUE. I misunderstood

Mr. HENRY. Perhaps you were fully justified in misunderstanding me, because it is difficult to use language that is sufficiently well chosen in words as not to be open to one of two constructions. The telegrams will speak for themselves, but what I was insisting upon was that if I was to be connected with the matter in a way that I was going to be responsible for it, I wanted to be in a position where I would have a say on the direction of the investigation, as to the entire subject matter that was under investigation, and if I was going to be limited to one side issue I did not like to be connected with it.

Mr. MONTAGUE. To justify my misconception you will have to refer to what happened this morning when you used the expression quite frequently, "I would not do that," and I asked whether you meant you personally or the commission, and then you explained that by saying that frequently there were no commissioners present at these hearings in Chicago, and when you said "I," it meant "I" in Chicago, and when Mr. Colver said "I" he meant "I."

Mr. HENRY. Certainly.

Mr. MONTAGUE. I did not mean to reflect upon Mr. Davies in the slightest. I have a very high opinion of him.

Mr. HENRY. I am not endeavoring to deprive any of you gentlemen of the honor of having drawn that bill.

Mr. MONTAGUE. I do not impute that to you.

The CHAIRMAN. Mr. Justice Covington appointed the chairman of the subcommittee on the drafting of that bill.

Mr. MONTAGUE. I happened to be one of the members of the subcommittee, and although I have not a very accurate memory, I have some recollection of what the committee did.

Mr. WINSLOW. I should like to qualify to the extent of telling you what you could find yourself, but I am in an oasis in this galaxy of legal talent that surrounds this bill here. On the assumption we are all after the facts, including yourself and the commission, and not out to find somebody guilty as a preliminary consideration, I am going to ask you to make allowances for my inability to state the thing as an expert lawyer, and to help me arrive at the facts in the event of my not putting the question in just the right way.

Mr. HENRY. I will do my best.

Mr. WINSLOW. In view of your expert training, I should like to ask you for what purpose the commission undertook this work which has resulted in this thing?

Mr. HENRY. For what purpose?

Mr. WINSLOW. Yes.

Mr. HENRY. It undertook it because it was instructed by the President to make the investigation, I assume.

Mr. WINSLOW. That is the thing I wanted to know—what purpose they had in mind. I do not mean to mislead you in any way. Was it to get at the facts surrounding the case or to push over something?

Mr. HENRY. It was to get the facts surrounding the case.

Mr. WINSLOW. How did the witnesses that came before you happen to come?

Mr. HENRY. That was the smallest part of the investigation.

Mr. WINSLOW. That is the part I should like to know about now.

Mr. HENEX. Well, the only way I could answer that is to take each one of the hearings—as to how the witnesses were selected for that hearing. The first hearing was the Washington hearing..

Mr. WINSLOW. I want to save time with you, and I am not trying to be funny at all. Did they all come on invitation?

Mr. HENEX. Oh, I can not remember how many men may have come and volunteered to testify.

Mr. WINSLOW. Put it another way, then. Did anyone come voluntarily, on their own initiative?

Mr. HENEX. Yes; I think there were some.

Mr. WINSLOW. Could you find a list of those and put them in the record?

Mr. HENEX. There would not be any way in which you could tell.

Mr. WINSLOW. Would not the records of the commission tell what men they had invited or asked to come?

Mr. HENEX. If a man was subpoenaed it might show that. It would show that, doubtless.

Mr. WINSLOW. Would you assume to say that the operations of the commission, either through the commissioners themselves or through counsel, would be so loose they would not know what people they had asked to come before them to the hearings?

Mr. HENEX. No; I would not say so; but I would say it would be impossible for any man to remember and be able to testify in the way I am testifying.

Mr. WINSLOW. Could that be obtained, then, probably, from the records of the commission?

Mr. HENEX. I do not think the records of the commission would show—if a man was in St. Paul we might send an examiner—I have got to tell you how it might be done. I might send an examiner out, for instance, for those four butchers, or for somebody else I heard about as a witness. Some piece of information would come to me that I thought of sufficient importance to develop, and I would say to one of the examiners, "Go and see if you can find this man." It might be this examiner had reported it to me himself; he had talked with the man and gave me his name and told me the substance of what the man said, and I would ask him, "Is he willing to testify?" Many men would tell things they would not be willing to come and testify to. He would reply, "Yes; we will see if he can get here at such a time, or what time he can be here." There would not be any record of that at all; but if he appeared on the witness stand it would not show how it was he came to be there. I could not remember who these men were who appeared at the St. Paul hearing except by turning to the record and seeing what they said about it as to who they were. Of course, that would refresh my memory to a considerable extent, but as to the most important ones it refreshed me absolutely; but I can not say now how I happened to get Gordon, who was that fur man who had gone down and negotiated this arrangement by which Armour was to get stock and a cash bonus. Just how I got the information that led me to send for Gordon, or just how I sent for Gordon, whether I sent a subpoena to him or had one of the examiners go around, or telephoned to him and asked him if he would be there, I do not know.

Mr. WINSLOW. In all the cases you have thus far suggested or indicated, you had asked them to come, is that not so?

Mr. HENEY. Certainly, the majority of the witnesses must have been asked to come.

Mr. WINSLOW. What part, as far as you can estimate, came without any solicitation from or on behalf of the commission?

Mr. HENEY. I have not any way of estimating that?

Mr. WINSLOW. Any considerable part?

Mr. HENEY. I can not even say as to that, because the manner which I have been describing to you of getting witnesses occurred at each one of these places where we took testimony; constantly some one of the examiners would come in and tell me about some witness, that some man would make a good witness, he had told them a story and maybe the man would be brought around that same day or the next or some other day.

Mr. WINSLOW. Am I right in assuming, in the light of what you say and do not say, that no considerable number of witnesses came on their own initiative?

Mr. HENEY. What do you mean by their own initiative? That they came around and appeared——

Mr. WINSLOW. That they came around to the hearing and said: "Here, I want to say something."

Mr. HENEY. A few of them did, not many. There were a few, however.

Mr. WINSLOW. So that, compared with Mr. Colver's statement that the packers would not have been allowed to testify, would rather indicate that the people you wanted to ask particularly or clandestinely were waiting there?

Mr. HENEY. I should not say so. I think what Mr. Colver meant, when he said the packers would not be allowed—was the principle—that they would not have been allowed to testify in such a way that they would have had any chance of claiming immunity. I think that must have been what was in his mind. I can not imagine him making that answer on any other theory.

Mr. WINSLOW. If the hearings, purported to be public, were to get all the facts, and you were seeking facts only, how can you justify the elimination or the failure to request those who knew the most about the business to come forward and tell what they knew?

Mr. HENEY. I did not eliminate those who knew the most about it. That is where you are mistaken.

Mr. WINSLOW. Well, we will see about that as we go along.

Mr. HENEY. For instance, I went to St. Paul and I subpoenaed there Mr. Magivny, the president of the stockyards company, who knew more about the stockyards company than any man there; we subpoenaed Mr. Bangs, the plant manager of Swift & Co., who knew more about it than any other man; I subpoenaed Mr. McKechnie, the secretary of the company, and so on down. When I went to Omaha, I subpoenaed Mr. Murphey, the head representative of the Cudahy Co., in Omaha, who has charge of the buying in Sioux City, Omaha, and Kansas City; I went over to Kansas City and I spent three days trying to get Mr. George R. Colver, the president of the Kansas City Stockyards, controlled by the vice president of Morris & Co.; I put the vice president, and his stenographer on the witness stand, because we wanted the books of the stockyards, the primary evidence, the highest kind of evidence

Mr. HENEX. I did not mean to express it in that way.

Mr. WINSLOW. I think if my memory serves me correctly, Mr. Swift made a statement here near the end of his testimony that he would be perfectly willing to have his testimony here regarded as under oath.

Mr. SWEET. That was Mr. Wilson who made that statement.

Mr. WINSLOW. Well, my memory fails me then. Somebody made the statement.

Mr. HENEX. That did not give him immunity.

Mr. WINSLOW. You spoke of the New England situation, of the rendering concerns.

Mr. HENEX. Yes, sir.

Mr. WINSLOW. And I understood you to say that they were working on a plan which was clearly illegal.

Mr. HENEX. Yes.

Mr. WINSLOW. Why did you say that?

Mr. HENEX. It is so.

Mr. WINSLOW. For what reason?

Mr. HENEX. Because they are in a combination, an agreement, which is in restraint of trade.

Mr. WINSLOW. Under what act?

Mr. HENEX. They were indicted by the Federal Government under some one of the statutes, either the Sherman antitrust law or the Clayton Act, or both combined. The Consolidated Rendering Co. was under similar conditions, and they immediately resumed the thing after they had plead guilty on that charge and paid a fine of \$5,000.

Mr. WINSLOW. Do you remember under what division of that act that they were convicted?

Mr. HENEX. No.

Mr. WINSLOW. Why, then, do you say they are continuing illegally now?

Mr. HENEX. Because they are continuing to do the same things which they had been doing at the time they were indicted, and for which they were indicted, and to which they plead guilty.

Mr. WINSLOW. Do you regard the Sherman Act as being of any account now?

Mr. HENEX. Why, certainly.

Mr. WINSLOW. How do you account, then, for the Government of the United States, during the past year, urging producers to agree on prices?

Mr. HENEX. I do not attempt to account for anything that has been done during the past year.

Mr. WINSLOW. That is all right. You probably do recognize they put forth that order; that they would like to have producers get together and make fixed prices by agreement.

Mr. HENEX. You will have to be more specific than that if I say I realize that or not.

Mr. WINSLOW. You see, that is where you come to my rescue. You spoke about the retailers at St. Paul making a great lot of money in the sale of meat and meat products.

Mr. HENEX. I do not think I ever made that statement.

Mr. WINSLOW. You said the rendering plants in St. Paul have made profits far beyond reason?

Mr. WINSLOW. You would be willing to let the testimony suffer in completeness in order to hand them over to the Department of Justice?

Mr. HENNEY. Certainly.

Mr. WINSLOW. Then that does not give very much credence to the thoroughness of your investigation of fact?

Mr. HENNEY. That is your opinion.

Mr. WINSLOW. Yes; that is the reason I put it that way.

Mr. HENNEY. All right, you are entitled to your opinion just as well as I am entitled to mine.

Mr. WINSLOW. Is that the way you want to leave the answer?

Mr. HENNEY. What was your question?

Mr. WINSLOW. You would be willing to let the testimony suffer as to completeness in order to hand them over to the Department of Justice?

Mr. HENNEY. I think I have stated my position. If I have not made myself understood, why, then, it is because I am incapable of making myself understood.

Mr. WINSLOW. There have been various discussions back and forth here as to the inadequacy of language some times to express thoughts in such a way as not to have it interpreted in more than one manner. I want to eliminate that feature from this answer if I can. If you are willing to leave it there I am perfectly willing. I am looking for facts only. I do not care whether these men go before the Department of Justice or not.

Mr. HENNEY. Why did you not swear them before this committee?

Mr. WINSLOW. I refer you to our distinguished chairman, or his proxy.

Mr. DOREMUS. The distinguished chairman has just made his escape.

Mr. WINSLOW. He probably anticipated trouble.

Mr. HENNEY. The Senate Committee on Agriculture took the position they would not swear the witnesses for that very reason, and when Mr. Swift reached a point in his testimony where he raised the question as to whether or not he might not have immunity Senator Kenyon, Senator Norris, and Senator Gore, who are all lawyers, immediately took the position that the examination should go no further unless he declared that he would testify, waiving immunity. He insisted upon consulting his attorneys and they advised him, as he came back and reported, that in view of the fact that he was not testifying under oath, and had volunteered his testimony, that there was no question of immunity involved in it and he could go on and answer, so he waived it specifically.

Mr. HEALY. May I be pardoned for interrupting the committee just one moment. I am one of the counsel for Swift & Co., and I simply rise for the purpose of calling Mr. Heney's attention to the fact that Mr. Swift, when testifying before the Senate committee, did not raise the question of immunity; that question was raised by Chairman Gore of the committee after Mr. Swift had been on the stand three and one-half days, and I think Mr. Heney will agree with my recollection.

Mr. HENNEY. Yes; that is the way it occurred.

Mr. HEALY. In your statement you said Mr. Swift raised the question of immunity.

Mr. HENEY. I did not mean to express it in that way.

Mr. WINSLOW. I think if my memory serves me correctly, Mr. Swift made a statement here near the end of his testimony that he would be perfectly willing to have his testimony here regarded as under oath.

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Mr. WINSLOW. You said the rendering plants in St. Paul have made profits far beyond reason?

Mr. HENEY. Yes; I said that.

Mr. WINSLOW. Will you elaborate that, please?

Mr. HENEY. I do not think I have those records here, but I will give them to you. I will present them to the committee, and, in that connection, Mr. Magivny, he is a stockholder in those yards and also a stockholder in the Sioux City yards, and those profits are scandalous at Sioux City, and I will produce Mr. Magivny's own letters stating what the profits are.

Mr. SANDERS. Will you file that with your testimony?

Mr. HENEY. Yes; I shall be very glad to do so.

Mr. WINSLOW. Will you furnish the figures?

Mr. HENEY. I have here, in the testimony taken before this very committee, on page 203 of part 2, a letter written by William Magivny to Louis F. Swift. Just above that occurs the following:

The Iowa Rendering Co. has a monopoly of all the dead animals at the Sioux City yards. This company is capitalized at 250 shares of \$100 each, all paid in in cash. Of this capitalization, Swift interests own 126 shares, 1 more than half; the balance is equally divided between Armour and Cudahy interests. These are the three packers who have slaughtering plants at Sioux City. The management is in the hands of Swift interests. As bearing on profits earned, two letters found in the files of Swift & Co. in regard to the Iowa Rendering Co. follows:

CHICAGO, July 20, 1917.

Mr. EDWARD F. SWIFT,

Second Floor:

Referring to the attached.

You and Mr. Louis F. Swift each own 31 shares; par value, \$100.

Dividends have been paid by the company recent years, as follows:

January, 1916, special dividend, 50 per cent.

November, 1916, special dividend, 50 per cent.

Year 1916, regular quarterly dividend, 20 per cent per annum.

April, 1917, special dividend, 50 per cent.

January, 1917, regular quarterly dividend, basis 20 per cent per annum.

April, 1917, regular quarterly dividend, basis 20 per cent per annum.

Will it be satisfactory to you to pay special dividend of 50 per cent?

WM. B. TRAYNOR.

Mr. Traynor is the right-hand man of Louis F. Swift—his chief assistant. That is what I pronounced scandalous. And there they make every commission man who has an office in the building, or who does business in the stockyards, sign a contract that every dead animal shall be turned over to the company designated by the stockyards company, to wit, this company, and Swift & Co. and the stockyards company make this requirement.

Mr. SANDERS. What is that per cent of dividends per annum?

Mr. HENEY. Over 100 per cent. It is 120 per cent per annum.

Mr. HAMILTON. You read both in one year?

Mr. HENEY. Two years.

Mr. STEPHENS. That was made out of the losses of the farmers who brought the live stock to the yards?

Mr. HENEY. Certainly; they just robbed them that much out of dead animals. You see, I call a spade a spade.

Mr. WINSLOW. What is the capitalization of that company?

Mr. HENEY. Two hundred and fifty shares, \$100 each, \$25,000.

Mr. WINSLOW. What are the assets of that company?

A rendering plant for a stockyards of that size, \$25,000 investment is plenty.

Mr. WINSLOW. That is very interesting, but it is not the answer. What are the assets?

Mr. HENNEY. My dear sir, I can not carry those things in my head.

Mr. WINSLOW. You have got to carry them to prove that this is an excessive dividend.

Mr. HENNEY. I have just told you it was \$25,000.

Mr. WINSLOW. I do not know the law, but I do know something of the banking business. You had the case of the Chemical Bank, in New York; for years and years they paid several hundred per cent in dividends, but they had assets of millions and millions. Now, I want to know the assets before I will agree they paid abnormal dividends.

Mr. HENNEY. Well, we will give you the assets, but I can not give them to you out of my head. You can not expect me to answer every question you are going to ask; if so, I would have to bring the whole files of the Federal Trade Commission here.

Mr. WINSLOW. No; but we want to get the whole story.

Mr. HENNEY. I will give you the whole story, and it will demonstrate exactly what I say. I now want to read you the next letter. It is as follows:

IOWA RENDERING CO. CAPITAL STOCK TAX.

CHICAGO, ILL., July 21, 1917.

Mr. R. F. MURRAY,

Secretary the Sioux City Stockyards Co., Sioux City, Iowa.

DEAR SIR: Replying to yours of the 18th instant in regard to the Iowa Rendering Co.:

If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock as \$630 per share and make your return on this basis.

Yours, truly,

L. F. SWIFT.

That was for the purpose of avoiding taxation.

Mr. WINSLOW. He is a robber and—

Mr. HENNEY. Oh, they robbed both ways, yes; and every way.

The next letter is dated St. Paul, Union Stockyards Co., South St. Paul, Minn., May 7, 1917:

Mr. LOUIS F. SWIFT,

Union Stockyards, Chicago, Ill.

DEAR SIR: Answering your favor of the 1st instant, relative to my stock in the Iowa Rendering Co. at Sioux City. Inasmuch as this stock earned \$116 a share last year, and is going stronger than that so far this year, I have not been looking very hard for a buyer. I gave several years of work to that institution when I was in Sioux City with the idea that I would help build up something that would be profitable to me in later years; I would therefore not care to dispose of my stock unless I could get enough for it so that the money invested in some other direction would bring me returns somewhere near commensurate to the returns I am getting now. I have 175 shares of St. Paul Union Stockyards Co. stock which earned last year about \$2,537.50. My 87 shares of Iowa Rendering Co. stock earned last year \$4,292. I will put these two together in an offer at \$45,000. This offer is subject to prior sale of any part, and in any event will be good only until May 15.

Yours, respectfully,

WM. MAGIVNY.

Mr. WINSLOW. Going back to that Iowa company, which seems to be interesting, am I right in thinking that that was the concern

which Mr. Swift said the stock should be returned at \$630 or \$640 share?

Mr. HENEY. Yes; I think so.

Mr. WINSLOW. If that is worth \$640 a share and he was willing to pay taxes on that basis, you must divide your 120 per cent annual income by 6 to get the returns on par, must you not?

Mr. HENEY. He was just putting it in at that value because it earned 65 per cent for the five years.

Mr. WINSLOW. Is not that the mathematics of it?

Mr. HENEY. Not my mathematics of it.

Mr. WINSLOW. I am not accountable for that.

Mr. HENEY. No; and I am not accountable for your mathematics. I do not pretend to be accountable for your mathematics.

Mr. WINSLOW. You will not have to be. It is your way of going at it. If a stock sells for \$600 on a par value of \$100, would you expect them to pay 6 per cent on a share as a fair amount of return, or 36 per cent per share?

Mr. HENEY. Mr. Congressman, I do not propose to make any argument in justification or otherwise for this rendering company's business. You will have ample opportunity to make an argument to the committee and in the House, I suppose, on the subject. I will not have, and I do not care to have.

Mr. WINSLOW. But you have taken occasion here to hold these people up to ridicule or to censure for doing what you have termed a scandalous business on the amount of profits for some purpose, probably to influence somebody. Now, why is it not perfectly fair to bring you up to account to show whether or not that is a fair statement to make?

Mr. HENEY. I say, when one of the big packers controls the stockyards, and by reason of that control exacts from all commission men who may be renting their offices from the stockyards company a contract by which he must agree that all stock shipped to him by a farmer, who has no say in the matter whatsoever, shall be turned over to the company designated by the stockyards company at a price to be fixed by that company itself, and that company under those conditions fixes a price which is so high that it enables them on the capitalization which is necessary for the operation of that plant to make over 100 per cent a year, that that is an outrage.

Mr. WINSLOW. One hundred per cent a year on what?

Mr. HENEY. On the investment necessary to conduct the business.

Mr. WINSLOW. On the investment, not the capitalization stock; you do not say that?

Mr. HENEY. I have stated my conditions.

Mr. WINSLOW. I am glad to leave it that way.

Mr. HENEY. So am I.

Mr. WINSLOW. I am perfectly glad, because it is clear enough to anyone who has intelligence in the operation of stocks or the return of

ids. Now, as throwing light on that, I want to refer to Hearings, from which I quote as follows:

is the rendering company which gets all dead animals. This company was incorporated August 10,

1908, under the laws of Maine. On September 1, three weeks after incorporation, the rendering company entered into a contract with the Union Stock Yards & Transit Co. by which the rendering company received "the sole and exclusive right to collect all dead animals found upon the premises and within the limits of the property and plant of the transit company aforesaid." The contract is for 15 years, and expires September 1, 1923.

The contract also provides, in section (b), the consideration which the transit company receives for this monopoly granted to the rendering company. This section reads as follows:

"(b) The rendering company shall pay to the transit company the sum of twenty-five (25) cents per head for all cattle and the sum of ten (10) cents per head for all hogs and sheep collected or handled during the terms of this agreement."

The contract also provides, in section (c), for the prices which are to be paid to owners or consignees of dead animals. In regard to hogs, the prices to be paid are definitely stated in the contract. That part of section (c) reads as follows:

"(c) The rendering company shall also during the life of this agreement pay to the owners or consignees of dead hogs for the carcasses thereof at the rate of three-quarters of a cent a pound when the market price of grease is under five (5) cents per pound; one (1) cent per pound when the market price of grease is five (5) cents per pound or more and under six (6) cents per pound, and one and one-quarter cents per pound when the market price of grease is six (6) cents or more per pound."

The present price of grease is over 15 cents per pound, and yet under the contract they can not be compelled to pay more than $1\frac{1}{4}$ cents per pound. The company has made a concession, however, and is now allowing to owners and consignees $2\frac{1}{4}$ cents per pound, the same price which is allowed for dead hogs at other large yards.

Statements furnished by the Globe Rendering Co. show that it is owned by big-packer interests, the Morris interests having control. The business is extremely profitable, as will be shown later, and the policy has been to vest ownership in the big-packer families and their high-salaried employees rather than in the corporations of Armour & Co., Morris & Co., Swift & Co., and Wilson & Co. Examining the list of stockholders with this in mind, we find that Morris interests own 11,381 shares; Armour interests, 2,000 shares; Swift interests, 4,643 shares; and Wilson interests, 1,300 shares; leaving scattered holdings of 674 shares.

The schedule returned by the company shows that of the \$2,000,000 outstanding only \$200,000 was issued for cash. The balance—\$1,800,000—was given to the stockholders—issued against "property." It has not been the policy of the company to build up large surplus. In the schedule as returned, real estate, machinery and fixtures, motor trucks, and inventory all appear under these heads in the statement of resources and liabilities as of date of December 29, 1917. Aside from these, the statement of resources has an item listed as "property," the amount of which is \$1,835,191.93. A letter was sent to the Globe Rendering Co. for a statement of what was represented by this "property" item. Under the date of June 3, 1918, the company replied:

"The 'property' item shown in our statement, amounting to \$1,80,000, represents good will, and does not include any tangible property."

On the books of the board of assessors of Cook County, as of May 1, 1917, the land of the Globe Rendering Co. is carried at \$32,652; improvements on land, \$1,800; and personal property, \$3,500; or a total of \$41,956 for total real estate and personal property. These are the figures on full value. The company has acquired real estate costing \$66,627 since May 1, 1917. On the books of the company the real estate is carried at \$77,534.10; the buildings at \$1,171.26; and machinery and fixtures, \$66,517. It is clear that the \$200,000 paid in was enough to cover land, equipment, and a sufficient amount of working capital. The greatest asset of the company is undoubtedly the contract for the monopoly of dead animals, although that is not listed in the statement of resources. It seems evident that the capital was increased to make dividends declared seem smaller.

The record of earnings and dividends for the last five years is as follows:

	Earnings.	Per cent on cash paid in.	Per cent on paper capital.	Dividends.
1913.....	\$134,360.88	72	7.2	\$140,000.00
1914.....	101,201.43	51	5.1	60,000.00
1915.....	86,517.13	43	4.3	120,000.00
1916.....	148,160.38	74	7.4	140,000.00
1917.....	222,394.82	111	11.1	140,000.00

Average dividend for these five years, \$120,000, which is 60 per cent on amount paid in and 6 per cent on paper capital.

The letter referred to is as follows:

" MAY 22, 1918.

" GLOBE RENDERING Co.,

" 357 Exchange Building, Union Stock Yards, Chicago, Ill.

" GENTLEMEN: The receipt of schedule A of the Federal Trade Commission, duly filled out by officials of the Globe Rendering Co., is duly acknowledged. The commission desires further information in regard to certain items covered in the schedule. You are therefore requested to furnish list of real estate acquired during the last five years and cost thereof, also buildings erected and cost thereof. It is also desired that the term 'property,' which amounts to about \$1,800,000 in round numbers for several years, be further explained as to what it covers. The form of statement submitted indicates that it does not include real estate, machinery, and fixtures, or inventory, as those items appear separately. The commission directs that the information be mailed not later than May 27.

" Yours, very truly,

" FEDERAL TRADE COMMISSION,
" FRANCIS WALKER, *Chief Economist.*"

CHICAGO, June 3, 1918.

" Mr. FRANCIS WALKER,

Federal Trade Commission, Washington, D. C.

" DEAR SIR: In reply to your letter of May 22, wish to say that on September 14, 1917, we acquired from the Union Rendering Co. 441.18 acres farm and pasture land surrounding plant, at a total cost of \$66,627. No new buildings have been erected on this property.

" The 'property' item shown in our statement, amounting to \$1,800,000, represents good will, and does not include any tangible property.

" Yours, truly,

" GLOBE RENDERING Co.
" PAUL A. DETT, *Secretary.*"

Mr. WINSLOW. Does he go any further into that good-will proposition?

Mr. HENEY. That is all there is to it.

Mr. WINSLOW. When was that company organized?

Mr. HENEY. I do not know anything more about it from memory than what I have read you.

Mr. WINSLOW. Is it a new company or an old company?

Mr. HENEY. It was organized in 1908.

Mr. WINSLOW. According to the figures, how much do you make the watered stock in that company?

Mr. HENEY. \$1,800,000.

Mr. WINSLOW. And they paid dividends from the start?

Mr. HENEX. It does not state here whether they paid dividends from the start or not. It does say they do not make a practice of having a large surplus, as I read it a moment ago. It is not the policy of the company to build up a large surplus in the schedule as returned. It does not state what they were, but it was organized in 1908, and these dividends started in 1913, as stated here, the record of earnings and dividends for the last five years. It does not state what they were before that, but that would give them from 1908 to 1913, on a \$200,000 investment, a surplus of \$1,800,000, and, I think, that would speak for itself.

Mr. WINSLOW. Good business.

Mr. HENEX. The same thing is true of the Kansas City stockyards.

Mr. WINSLOW. I was going to ask you in a moment if that is typical of the majority of the stockyards which you might class among those doing a large business?

Mr. HENEX. Yes; that is typical.

Mr. WINSLOW. And are there any figures before the commission to show that?

Mr. HENEX. Yes; and they are all in this book.

Mr. WINSLOW. All of them?

Mr. HENEX. Yes; that is what they say.

Mr. WINSLOW. What percentage of the receipts of that Sioux City yard do you imagine came from purchase of dead animals?

Mr. HENEX. Oh, practically all of it.

Mr. WINSLOW. Nothing else but dead animals?

Mr. HENEX. Practically all of it from dead animals.

Mr. WINSLOW. They must do the rendering from the slaughterhouse.

Mr. HENEX. Oh, no.

Mr. WINSLOW. The rendering company?

Mr. HENEX. An animal that dies outside of the slaughtering plant itself, in the yards, or in the cars coming in, the contract requires shall be turned over to this rendering company.

Mr. WINSLOW. Quite so; yes.

Mr. HENEX. At these fixed prices, and it is on that they make the money.

Mr. WINSLOW. Do not those rendering companies do any business other than through the dead animals that come in from the stockyards?

Mr. HENEX. There are one or two places where they gather the dead animals for the city and make a considerable profit out of that in some instances, but I do not recall that that is so of the Globe Rendering Co.

Mr. WINSLOW. Do not the by-products at the slaughterhouses get into that rendering company?

Mr. HENEX. Oh, no.

Mr. WINSLOW. None at all?

Mr. HENEX. I think not.

Mr. ADAMS. Most of the slaughterhouses have their own rendering division.

Mr. HENEX. Have they at Sioux City?

Mr. ADAMS. Yes; at Sioux City, the larger slaughterhouses have their own rendering divisions.

Mr. WINSLOW. Which ones?

Mr. ADAMS. The Cudahy Co., has, I think. Mr. Barrett can tell you more in detail about that than I can at Sioux City. He has studied the situation.

Mr. BARRETT. The Bureau of Animal Industry is not allowing animals to be rendered in the same establishment unless they are kept absolutely apart, because no animal that arrives dead or dies in the pens can be used for rendering edible products, but an animal that has been slaughtered after arriving can be used for rendering for edible and other products, so it is the policy of the Bureau of Animal Industry to keep those two classes separate.

Mr. WINSLOW. And do they do it uniformly?

Mr. BARRETT. Yes; they do.

Mr. WINSLOW. There is no mixture of refuse from slaughter-houses with dead animals?

Mr. BARRETT. No; the Bureau of Animal Industry would not allow that.

Mr. WINSLOW. You say then, do you, Mr. Heney, that the rate of profit from the Sioux City Rendering Co. is typical of the profits made by all rendering companies?

Mr. HENEY. Of those in connection with these stockyards.

The CHAIRMAN. But that does not refer, if I understand it, to wastage from butchers that you referred to this morning.

Mr. HENEY. No; that is another proposition entirely; that is, in the large cities where they are outside of the stockyards.

Mr. WINSLOW. Has the commission in its inquiry put accountants on the books in general of these packers and all the other organizations that go into this hearing?

Mr. HENEY. Yes; do you mean the big packers?

Mr. WINSLOW. Whatever you covered in your report?

Mr. HENEY. Yes.

Mr. WINSLOW. Have you reported any irregularity that you discovered in accounting?

Mr. HENEY. I do not know whether there has been any irregularity reported. I remember that we found a letter in connection with the Chicago stockyards—Mr. Prince wrote a letter out to the executive officer, whoever he was, in Chicago asking to know what part of \$750,000 that appeared in a certain report had gone into improvements, actually gone into improvements, and this executive officer wrote to the auditor there in the plant and asked him to explain it, and he wrote a letter back in which he said: "In accordance with your directions, as the earnings were excessively large, I covered them up by charging to operating expenses, and it would require a complete analysis"—I am only giving you now the substance from my memory—"it would require a complete analysis of the entire cashbook in order to determine what portion of this \$750,000 really did go into improvements."

Mr. WINSLOW. That was in one instance only—one firm?

Mr. HENEY. This particular letter is the only instance I call to mind right now.

Mr. WINSLOW. Speaking of the accounting generally of these big concerns whom you have been investigating, have you any complaint to make as to the accuracy or inaccuracy of their systems?

Mr. HENEY. Yes, sir; the accountants who were in charge of that work, Mr. Chase and Mr. Tator, Mr. Chase testified before the Sen-

ate committee that they both say that under the method of accounting that is followed by the different packers—and it seems that each one has a different system of keeping their accounts; there is no uniformity about it—that it is impossible to tell with any certainty what their profits have been for the year or what the cost is on meats.

Mr. WINSLOW. Has the commission any complaint to make as to the accuracy of the statement of these packers that they have lived within the regulations of the Food Commission?

Mr. HENEX. The Federal Trade Commission has not checked up—the accountants state they have not checked up those accounts for 1918, and that they can not say whether they are accurate or not.

Mr. DOREMUS. There was a statement made, I think by Swift & Co., that their net profit was one-fourth of 1 per cent. Do you know whether that statement is reasonably correct or not?

Mr. HENEX. Our accountants say there is not any way you can determine whether that is correct or not. I would not be able to give you the technical reasons stated by them, because I am not an expert accountant.

Mr. DOREMUS. It has also been stated in the progress of the hearings that the net profit of an animal was something less than \$1 per head. Do you know anything about that?

Mr. HENEX. Yes; I know that our accountants say you can not check that with any accuracy, and I produced a letter from Swift & Co., written by Mr. Chaplin, who was their expert on costs, and which went into the record over at the Senate committee, and I shall be very glad to have a copy of it brought over here, in which Mr. Chaplin went on to tell what profits were made by Libby, McNeill & Libby in their slaughtering business, and Swift & Co., slaughterers for Libby, McNeill & Libby, which was a subsidiary of Swift & Co. until recently; Swift & Co. owned over 98 per cent of the stock. They did the slaughtering and charged for it, and Libby, McNeill & Libby, on something like 26,000 head, as I remember it, had made \$1.25 a head net profit, sold in the carcass, but on something over 130,000 head, carcass and cut-up cattle, my recollection is it figured out over \$6 a head profit, and that is stated in this letter of Chaplin to Swift, and I asked Mr. Swift to explain the letter, and also asked Mr. Chaplin to explain it. The letter follows:

SEPTEMBER 24, 1915.

L. F. SWIFT:

REVIEWING LIBBY RESULTS 8 MONTHS 1915.

(1) Sold in the carcass through their markets, 26,752 cattle; n. b. profit, \$1.25 per head.

Cut in the Chicago cutting room, 97,310 cattle; n. b. profit, \$7.61 per head.

Cut at Fort Worth, 11,222 cattle; n. b. profit, \$5.04 per head.

Total, 135,284 cattle; profit, \$6.14 per head.

Assets employed, \$5,174,000.

There was, of course, more capital than this employed if we take into consideration the capital invested in the slaughtering plants which were used in the slaughter of Libby cattle.

The above is a very satisfactory showing. Attention is called to the very large difference in the results on cattle sold through their markets and cattle cut. Their inventory of beef products is being carried at conservative prices.

(2) On the Pacific coast they are using assets \$2,900,000 on which they have shown a loss new basis \$261,700 of which pineapple \$87,000, California fruits \$193,000.

Attention is called to the fact that their pineapple business lost in 1913, \$16,600; 1914, \$63,300. California fruits have for the two previous years practically broken even on the new basis.

(3) Pickle department, with an investment of \$699,000, shows a loss of \$60,000.

(4) Milk, with an investment of \$1,025,000, shows a loss of \$219,000. This business has been a large loser for some time back. Should consider whether it is efficiently operated.

(5) There has been a large increase in their branch house and selling expense, due to decrease in volume of sales at this date. Their West Virginia company, the selling company, shows a loss of \$264,000. Our branch-house expenses have shown a material decrease.

Taking their business as a whole, they make a very fine showing; but the above losses may need attention.

J. M. CHAPLIN.

There is another letter I think this committee ought to have for its information that was written by Mr. Chaplin. He called attention to the fact that Meeker had testified before the Judiciary Committee of the House, when the Borland resolution was up in 1916, that Armour & Co. had testified they had made \$1.19 a head, I think it was, on an animal; and then Chaplin pointed out that Armour included sausage and something else, I have forgotten what it was, and he said, "We have not included either one in ours," and "If we included those, we made \$2 a head." That was a letter from Mr. Chaplin to Mr. Swift:

[Private.]

CHICAGO, June 23, 1916.

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter June 13 to L. F. S. regarding Borland resolution, in which Mr. Meeker is quoted as saying that Armour made a profit of \$1.19 per head on cattle for certain period (ours for same period \$1.28 per head).

Mr. Chaplin understands that Armour's includes their canners, which ours does not, part of their sausage results, and has 10 cents added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over \$2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all the above mentioned, which ours does not.

CHARLES H. SWIFT.

Another very important letter, I think, for the committee to consider is one written to L. F. Swift and Edward F. Swift by C. H. Swift, in which he said that he had figured out the loss that they made on shipping cattle from St. Paul to Chicago and slaughtering in Chicago, rather than slaughtering in St. Paul and shipping the dressed meat to Chicago, and he figured that at a loss of 29 cents a hundredweight. Now, there is testimony of a number of men at the St. Paul hearings to the effect that the commission men would not sell to a trader or unless he would give 25 cents more than the price offered by one of the big packers, because if he did the big packers would pass by his pen and would not buy from him for a few days, as a punishment. Now, that 25 cents was supposed to cover the difference in freight between St. Paul and Chicago, and it was to head off these traders from buying the cattle and shipping them on to the Chicago market to resell there, Mr. Chaplin's letter says that they lose 29 cents a hundredweight by shipping the cattle to Chicago and

slaughtering in Chicago, rather than slaughtering in St. Paul and shipping the dressed meat to Chicago, that when it arrives there the difference is 29 cents per hundredweight. That would be \$1.15, we will say, on an animal that would dress 550 pounds, which is a fair animal. He goes on and figures out the difference for shipping over. He says Armour sometimes ships over from St. Paul to Kansas City—there is a through line there—or to Sioux City—there is one to Sioux City and to Kansas City, too—and he also figures on Kansas City. and he makes a difference there of somewhere, as I recall it, it ran up into something like \$6 a head. Now, the point is, it seems to me, that if they can slaughter cattle at an advance of \$1.58 a head in St. Paul over slaughtering cattle in Chicago, shipping the dressed meat to Chicago in addition to paying the freight, that there must be some hole in the thing somewhere, in regard to the proposition that they are making only \$1 a head, because Kansas City is farther away from Chicago than St. Paul, and therefore the difference in slaughtering in Kansas City would be greater than slaughtering in St. Paul: Fort Worth is still farther away, and, of course, the packers in buying in these outside markets use Chicago as the point that makes the price, and they keep these outside markets what they call in line with the Chicago price and with the Chicago price means that they deduct what the freight would be plus a probable shrinkage. So if they can slaughter and make a profit of \$1.15 over and above what they would make if they shipped them down to Chicago and slaughtered them there, they are certainly making something, although they slaughter in Chicago, and it would mount up to \$2 and \$3 and \$6 from other places. I do not see how it can be figured out that they make only \$1 a head.

CHICAGO, October 31, 1916.

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

We are, whenever necessary in order to get them killed, shipping live cattle from St. Paul to Chicago. Mr. Chaplin advises, as against killing the same cattle at St. Paul, this increases their dressed Chicago cost about 29 cents per hundredweight.

Armour and Wilson have both shipped considerable cattle from Chicago to Kansas City. Mr. Chaplin advises, as against killing the same cattle at Chicago, this increases their dressed Chicago cost 92½ cents per hundredweight.

Armour has also shipped from St. Paul to St. Joseph, Mr. Chaplin advises, as against killing the same cattle at St. Paul, this increases their dressed Chicago cost 79½ cents per hundredweight.

Wilson has also shipped live cattle from St. Louis to Kansas City. Mr. Chaplin advises, as against killing the same cattle at St. Louis, this increases their dressed Chicago cost 59½ cents per hundredweight.

CHARLES H. SWIFT.

Mr. ESCH. Does not the Food Administration now require uniform accounting on the part of the packers?

Mr. HENEX. They are trying to get it installed now.

Mr. ESCH. It is not fully worked out yet?

Mr. HENEX. No; it has not been put into operation yet.

Mr. ESCH. Do you know how their figures compare with those of the Federal Trade Commission?

Mr. HENEX. Whose?

Mr. ESCH. The Food Administration.

Mr. HENEX. Well, the Food Administration borrowed Mr. Chase and Mr. Tator from the Federal Trade Commission to use as their accountants in checking up the packers.

Mr. ESCH. Of course, that uniform accounting under the Food Administration would have to lapse as soon as the Food Administration went out of business?

Mr. HENNEY. Yes.

Mr. ESCH. Do you think, therefore, it would be wise to have legislation along the line suggested, that the matter of uniform accounting be embraced therein?

Mr. HENNEY. I do, sir.

Mr. ESCH. And you think that uniform accounting would be very material in giving the country some idea as to costs and profits?

Mr. HENNEY. Yes. You see it would enable you to compare one packer with another, which you can not do at the present time, on account of the different methods they have of arriving at their cost.

Mr. ESCH. Under what constitutional warrant would we be justified in attempting legislation along that line in times of peace?

Mr. HENNEY. I have not made any study of that.

Mr. ESCH. Of course, that is up to us, and you being a very eminent lawyer we should like your views on it.

Mr. SANDERS. Have they not required uniform accounting in railroad matters?

Mr. ESCH. Yes; but under the commerce clause the railroads are common carriers; it is the only way we could justify it there would be under the commerce clause, and it would only apply to such products as went into interstate commerce. But a great deal of it is sold in interstate commerce; it might be it would not be very hard to differentiate.

Mr. SANDERS. Do we not get our right to inspect the meat from the fact that it is going to be transmitted across State lines?

Mr. ESCH. That might come under the quarantine act and the public welfare act, I suppose.

Mr. HENNEY. I think you are facing a great deal of difficulty there.

Mr. ESCH. We realize that.

Mr. HENNEY. I have not been able to figure it out in my mind as to how you could constitutionally require it.

An interesting thing occurred in the Senate committee yesterday. I asked Mr. Thomas E. Wilson, when Senator Kendrick was insisting that these regulations provided by his bill were rather innocuous—he did not use that term, but he said they would not interfere with the business, and I rather think they are innocuous—and I asked Mr. Wilson whether he had opposed the regulations, any licensing system—when I said regulations, I meant a licensing system—and I asked him whether he believed in homeopathy or allopathy, and he laughed, and said he did not know that he believed in either one, and that he was not a Christian Scientist. Now, I said, assuming these are evils and you had to take your choice of one of two evils, which would you prefer, Government ownership and operation of refrigerator cars and stockyards, or the operation left as it is and this licensing system imposed on you that the Kendrick bill provides? He studied a moment and he said, "Well, I would take the Government operation, provided, of course, they would furnish us with enough cars to run our business right."

Mr. WINSLOW. Who gave out news to the press on behalf of the Federal Trade Commission?

Mr. HENEX. They had, I think, a publicity man most of the time. I know they did a part of the time, the Secretary and this publicity man were supposed to be the only ones who would give anything out.

Mr. WINSLOW. Were reporters present at the hearings?

Mr. HENEX. Oh, my, yes; and they were as usually very persistent about trying to dig something out of you.

Mr. WINSLOW. Was there any censorship over the reports of those hearings; any censorship exerted by any authority of the Government over the reports of the hearings or news given out?

Mr. HENEX. There was not any way of exercising any censorship over the newspapers. The Federal Trade Commission was very particular about not permitting things to be given out by the publicity man of the Federal Trade Commission unless the commission authorized it to be given out.

Mr. WINSLOW. You do not know whether any censorship beyond that was exercised or not?

Mr. HENEX. There was not any way of imposing any censorship on the newspaper man if he can get hold of anything, or imagines anything.

Mr. WINSLOW. Do you feel that has been absolutely a fact within the last year and a half with reference to news and newspapers?

Mr. HENEX. I do. As a matter of fact, there was a great deal of injustice done that operated just as badly against the Federal Trade Commission as it did against the packers. Take these statements that are referred to that had been made in the newspapers, that are referred by Mr. Mayer, that receivers would be appointed. That, of course, I have told you how that occurred. Now, the other two instances he mentions there we never were able to find out that there was any basis for them at all, that any reporter had any peg to hang his hat on. He did not get it from me and he did not get from anybody connected with the Federal Trade Commission in so far as I can discover. Those were injurious to say that the Government is going to take over the packing plants. Personally I do not believe in the Government's taking over the packing plants; I am absolutely opposed to it; and I therefore certainly would not give out any such statement.

Mr. WINSLOW. Do you think the price of beef, which the ordinary consumer is being obliged to pay, is excessive in the face of all the circumstances of to-day?

Mr. HENEX. That is a hard question to answer, Mr. Congressman, because I do not know what the cost of production is.

Mr. WINSLOW. Did your inquiry cover from the feeder to the consumer?

Mr. HENEX. Not mine. The Agricultural Department, as you will recall I stated, was to investigate the production end of it, and bring the animal to the stockyards.

Mr. WINSLOW. From the stockyards to the consumer?

Mr. HENEX. Yes. We did investigate the other end of it, the retail end of it, the Federal Trade Commission made an investigation of that after I had severed my connection with them. They made an additional investigation that they tell me was very exhaustive.

Mr. WINSLOW. As involving the packer, the middle man, and the retailer, would you say that any of them made an excessive profit?

Mr. HENRY. Well, I can not get away from the idea that the packer makes an excessive profit, when I view the fact that Swift & Co. started with \$160,000 and ran it up to \$150,000,000, and I certainly say they made an excessive profit when the books show that in 1917 they made, according to the expert accountants now with the Federal Trade Commission, \$47,000,000 of profit. Now, their capitalization at that time, Swift & Co. give it out as \$34,000,000 and something, but they admit they have written off \$10,000,000 for probable taxes in fixing the \$34,000,000, so that jumps it to \$44,000,000, then I am told by these expert accountants there was \$3,000,000 more they found there. I have forgotten how that was written off, it was written off in some way. That made \$47,000,000. That was on a capitalization of \$100,000,000 and that \$100,000,000—I was wrong about that growing from \$160,000, I had Armour & Co. in mind—Swift & Co. was organized first with \$300,000 capital, but a great deal of the additional capital up to the time that they made a \$25,000,000 dividend, up to \$75,000,000, a great deal of it was by selling stock and putting the money into the business. Mr. Swift says stock was sold at 100 cents on the dollar, all of it, he says it was all sold at par, then he afterwards admitted that a transportation company he and some others owned had been sold for \$10,000,000, which was a part of the total issue of \$75,000,000.

Mr. WINSLOW. I should like an answer to this question.

Mr. HENRY. I did start to answer your question. I may have gotten off the track.

Mr. WINSLOW. What I want to find out is this: If the Federal Trade Commission is prepared to say, based on figures they have obtained, that either the packers, the middle men, or the retailers during the past two years, say, have made an excessive profit on foodstuffs?

Mr. HENRY. You ask me whether the Federal Trade Commission is prepared to say it. I am not prepared to say what they are prepared to say.

Mr. WINSLOW. They make no accusations of that kind?

Mr. HENRY. I do not know. I have not read all they have put out.

Mr. WINSLOW. As far as you are concerned.

Mr. HENRY. I have not any concern in it. I severed my connection with the Federal Trade Commission on March 31, 1918. They had made no report at that time.

Mr. WINSLOW. As the result of investigations which had occurred while you were directing it, would you say they had made an excessive profit, any of them?

Mr. HENRY. Would I say so?

Mr. WINSLOW. On your findings.

Mr. HENRY. I did not make any findings.

Mr. WINSLOW. That is where I want you to help me, you know.

Mr. HENRY. If you want to know what my opinion is, whether they made excessive profits or not, I say yes; they have made excessive profits; and there is not any question about it in my mind.

Mr. WINSLOW. On the facts; and which ones made it?

Mr. HENRY. Which ones?

Mr. WINSLOW. Yes.

Mr. HENRY. Every one of them.

Mr. WINSLOW. Retailers and all?

Mr. HENNEY. The five big ones; I am talking about the packers now.

Mr. WINSLOW. Any of the three you choose to denominate. We will take the others afterwards.

Mr. HENNEY. I say the big packers.

Mr. WINSLOW. Will you kindly put some facts in the record to demonstrate that, and we will not need to take the time now?

Mr. HENNEY. Yes; I will have them put in.

The CHAIRMAN. He has not made the statement he started out to make in full in chief. He made part of it, and then we have all asked him questions.

Mr. HENNEY. Mr. Chairman, I am perfectly willing to have it proceed by questions, if the committee wish. I am here to enlighten the committee on anything they want to know that I can throw any light on.

Mr. SANDERS. I think if we asked you what is in our minds we would get through quicker. You might make statements which have been made heretofore.

The CHAIRMAN. Is there any matter you want to refer to in connection with your statement in chief before the committee that you have not yet taken up?

Mr. HENNEY. Yes; there is.

The CHAIRMAN. You may state what that is.

Mr. HENNEY. I did not quite finish the Magivny matter and I want to take up the Hormel question.

Mr. HAMILTON. If nobody objects, I will go ahead for a moment. Mr. Heney, the great big question involved here is whether the packers are making too much out of the people, is it not?

Mr. HENNEY. Yes.

Mr. HAMILTON. And they have all of them put themselves on record in relation to their profits. Now, for illustration, I will read from a statement presented to this committee by Morris & Co., page 10, as follows:

I want to say to you positively and unqualifiedly that the profits of Morris & Co. for the last five years have averaged about 1.5 on the turnover; that the profit of Morris & Co. for the last five years, including cattle, sheep, and hogs, has been 77 cents per head; and that the profits of Morris & Co. per pound on beef for the last five years has been a fraction under one-third of 1 cent.

Mr. HAMILTON. Now, if that is true, that is a very reasonable profit, isn't it?

Mr. HENNEY. I should say so; yes.

Mr. HAMILTON. We could scarcely ask anybody to do business on less than that?

Mr. HENNEY. If they threw it off entirely, it wouldn't do the consumer very much good.

Mr. HAMILTON. It would not; and the statement of Armour——

Mr. HENNEY (interposing). In examining Mr. Swift over before the Senate committee as to how he reached this dollar a head he finally admitted that he excluded a number of different by-products.

Mr. HAMILTON. Yes; I remember you stated that.

Mr. DECKER. What by-products?

Mr. HAMILTON. Just a moment—I have it here somewhere. He says this on page 48:

It will be seen from these figures that the amount received for meat from the steer is less than the amount paid for the live animal. The by-products

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Mr. HAMILTON. I didn't exactly put it that way, the large part of their profit—in other words, what I am trying to get at is how far you are disposed to confirm this statement?

Mr. HENRY. No; their leather profits go into their business always. Here is Swift & Co.—

Mr. HAMILTON (interposing). No; but suppose you just simply take the meat in the animal and separate that from the by-products, as they do in their statement—you are disposed to differ as to that?

Mr. HENRY. Mr. Congressman, let me say this, won't you—I know you will be interested. The result of Swift's statement is this, as I analyze it, as he made it, that it hasn't done the public any good at all, the fact that they utilized the by-products, because if they sell the hides at the market price, why the butcher did that 40 years ago. If they sell each one of these and deduct the market price, what difference does it make to the public whether they sell it to Tom, Dick, or Harry, who utilize it, or whether they are in the business of utilizing it? The public is getting no benefit from it whatever, because they are only deducting the market price at which they would sell it to anybody.

Mr. HAMILTON. That seems clear.

Mr. HENRY. Absolutely. That was the result of his testimony.

Mr. HAMILTON. Then there is a profit upon the hide. The hide itself is treated as a raw material, and it is turned out by them in a finished product, and apparently they make more money on each hide than they could make on the meat in the animal?

Mr. HENRY. Certainly, and if they want to charge that hide off at a price—and they are regulating hide market prices—if they want to charge that hide off at a price that will give them \$7 profit on the hide and only \$1 profit on the meat, is it fair to say that they have only made a dollar on the animal?

Mr. HAMILTON. Now, suppose the whole business were opened up to competition, is there any way of conjecturing—assuming that you are right in the statement that there is a combination—is it your statement that the consumer, the consuming public all over the United States, would be able to get his meat cheaper than he does now? What do you think about that?

Mr. HENRY. Yes.

Mr. HAMILTON. It is a matter of conjecture?

Mr. HENRY. Yes; it is a matter of conjecture. I believe they would. In the first place, I believe it would tend to stabilize the industry. Now, that may sound strange, but I believe it would as far as the producer is concerned, and I believe they would produce more animals in the United States than they are producing to-day; and the trouble with this combination is that they go back and take control of the feeds, the concentrated feeds, so that your dairymen, who would otherwise raise more calves on these farms throughout the country, do not raise as many because they are paying too high for their feed.

Mr. HAMILTON. You mean the products of cotton seed?

Mr. HENRY. Yes; the products of cotton seed; and they haven't stopped at that, but they have gone a step back of that and gone into the fertilizer business. Now they not only have the animal fertilizer, but they have gone into the mineral fertilizer business, too; so they start at the very beginning, so that the farmer who is going to plant his stuff in the first place pays a tribute, and then they catch them all the way along the line. Your dairyman has to pay for this

concentrated feed to them, and then they go into the cheese business, and they are keeping down the prices of cheese to the producer, and they enter into a combination to do it in the State that produces 55 per cent of the cheese of this country—Wisconsin; and we produced the letters that proved it conclusively, that they were keeping down the prices of cheese while we are storing all these large packs for shipment to England in 1916.

They make oleomargarine. The independent oleomargarine manufacturers have to buy their oleomargarine from the big packers, and the big packers make over 60 per cent of the oleomargarine of the country—the five big packers—and Jelke & Co. is larger than any one of the five big packers, but they only make 25 per cent and the big five together make 60 per cent. Jelke & Co. has to buy its raw material from the big packers that they have to compete with afterwards, and it is perfectly apparent that Jelke & Co. can be in no real competition with the big packers and must follow the leader on prices. Now, having only oleomargarine, they find that butter fixes the price of oleomargarine, because people prefer to buy butter at the same price rather than oleomargarine, so they go into the butter business, and Swift & Co. is the largest butter dealer in the United States today, and Armour comes next. Now, then, if they can put up the price of butter, they can follow up with the price of oleomargarine behind it.

Mr. HAMILTON. And yet they claim they are making a smaller profit than any other big business.

Mr. HENNEY. Yes; and becoming the biggest millionaires in the country at a rate that is so rapid that you can't keep up with it.

Mr. HAMILTON. Well, other businesses, of course, are grinding millionaires.

Mr. HENNEY. That is true of a few.

Mr. HAMILTON. Quite a number.

Mr. SANDERS. It is not true of the farmers.

Mr. HENNEY. No; nor is it true of the cattle producer nor the sheep producer.

Mr. SWEET. Nor the cattle feeder.

The CHAIRMAN. Nor of statesmen.

Mr. HENNEY. Now then, see how they follow it through. They are not satisfied when they have sold this meat to the butcher and made him pay 22 cents a pound for the bone and the fat that he has to chuck under the counter after he has cut it off, but they go into a monopoly by which they go around and buy that back from him at the lowest price they can get it back. Now, the question of paying his overhead expense, if he got a fair price for that, would enable him to sell for a little less to the consumer and make the same profit that he is making.

Mr. HAMILTON. Don't you think he makes a pretty fair profit, the retailer?

Mr. HENNEY. The retailer's overhead expenses are so large that he can't get away from that the retailers in 1917, when the packers made these profits that were four and five times larger than the three pre-war-year average—the retailer made less money in 1917 than in 1916 all over the United States in the meat business. Now, I say that from testimony taken under oath.

Mr. HAMILTON. And the retailer is not able——

Mr. HENRY (interposing). And Mr. Cotton himself told me.

Mr. HAMILTON. The retailer now is not able to compete with the hotel keeper?

Mr. HENRY. There again they are organized as supply companies in each of the large cities, and Mr. Armour subscribes \$250,000 to the stock of the Biltmore Hotel, and then his supply company in New York supplies the Biltmore Hotel with what? Meat only? No; practically all provisions. And they have these supply companies each one of them in these large cities, and they are gradually taking the big hotels entirely away from the wholesale grocer and from the wholesale meat dealer.

Mr. HAMILTON. Doesn't it seem to you that this raises a problem even bigger than the meat problem?

Mr. HENRY. Much larger. There is going to be, gentlemen, a monopolization of the entire food supply of the United States in less than ten years, and I think in five, if something radical is not done.

The CHAIRMAN. Are you through, Mr. Hamilton? I wanted Mr. Henry to get to that Hormel matter, which has not been explained.

Mr. HAMILTON. Well, it makes a man wonder where we are going to land.

Mr. HENRY. On that line, Mr. Armour went into rice in 1916 for the first time. At the end of the year the vice president of Armour & Co. said he had become the merchant king in rice in one year, and they had.

Mr. HAMILTON. Of course, here is the proposition: If you are a rich man, you can make money fast if you have sense, and sometimes if you haven't sense. Money gathers money unto itself. These men are rich and they are not taking chances. Now, what restriction can you put upon legitimate enterprise? Assume now that the gentlemen are telling the truth when they say that they are making almost no profit on the beef in an animal; assume that, and yet you show us—and other witnesses have shown us—that they are making an enormous amount of money in the aggregate, and that they are not content with investing that money in the meat business, but are reaching out into other enterprises, and you say they control the food of the country; now, assume that that is legal—you are a lawyer—assume that that is legal, what is your solution, or have you any solution?

Mr. HENRY. Well, I have no panacea.

Mr. HAMILTON. Then, perhaps, your judgment is better—go ahead.

Mr. HENRY. But I would like to say this: I am not one of those men who says he is not afraid of the size of business. I think that business when it gets to a certain size becomes a menace, a menace to the very thing that democracy is established to secure and maintain, to wit, equality of opportunity for the many. You said, Mr. Congressman, that when a business gets to be a certain size, that sometimes they make money even though the man hasn't much brains. You had the head of Morris & Co. here, a young man 25 years of age, and Morris & Co. made millions last year, and if he demonstrated any business capacity I failed to see it.

Mr. HAMILTON. Well, he made money, he said, feeding cattle down at Peoria—\$40 a head.

Mr. HENEY. Yes. Do you know how they feed on brewery slops?

Mr. DECKER. Before you get onto that, finish up that statement about the brain, before you get onto brewery slops. Finish up on the brains.

Mr. DEWALT. Those questions are not related. [Laughter.]

Mr. HENEY. Well, let me say this—

Mr. DECKER (interposing). In other words, you were impressed with the same fact that all of us were, that here was a nice young man, 24 years old—a nice young fellow—getting \$75,000, and Armour was only getting \$25,000, and I object on the behalf of Armour.

Mr. HENEY. Yes. Well, what I really wanted to direct attention to is that business when it gets to be a certain size does go ahead and make money without the head of the concern really having to possess very much business ability. Now, of course, I believe that is due to the fact that their organization has been brought up to a standpoint of perfection that has enabled it to run along—I think it would have run along just as well if he was over in Europe. But it requires brains to run it just the same, but the brains are in there and are employed.

Mr. PARKER of New York. And paid for.

Mr. HENEY. Yes, sir; but they don't get anywhere near what they are entitled to, for their ability, and they haven't the opportunity to use those brains for themselves by getting out into the business and making a success of it.

Mr. PARKER of New York. I think Mr. Wilson testified here that he did.

Mr. HENEY. He personally; yes.

Mr. PARKER of New York. I mean personally.

Mr. HENEY. Well, he personally did, why? Because the three greatest banking concerns in the United States furnished the money and gave him the swing with the credit, with an institution already established; with its distribution established, and its buying system established, and its plant. Now, I don't mean to detract one iota from his ability, because I think he is the ablest man in the packing business of anyone in it to-day in the United States.

Mr. PARKER of New York. It seems to me that the bankers recognized in Mr. Wilson the same thing that the Morris Co. did, that he had the ability to handle a concern of that kind.

Mr. HENEY. Yes; but now let us admit that the packers—Mr. Ogden Armour thinks they should be combined. He says it would cut down overhead expenses. He said it would cheapen the thing in these large cities where each one has to maintain a plant, and it would eliminate the possibility of their ever glutting the market in any one place—sending in too much—at least, it would reduce it very much. I agree with him, and if you consolidated the five big packers to-day and let them swallow Hormel and Kingan and a few others, and made an absolute monopoly of it, I haven't any doubt but what they could furnish meat to the consumer for less money than the consumer is paying to-day. Then why not do it? It seems to me for this simple reason, for the same reason that we didn't adopt a political autocracy. We adopted a republican form of government because we believe in the right of every man to have an equal opportunity with every other man in life. Every child is born with the inalienable

right to have that opportunity. That is why we didn't take an autocracy; that is why we didn't take a plutocracy as our form of government. But our form of government is a mere means to an end, and the right to vote in a democracy is a joke unless the end can be accomplished for which it is established, and that is industrial democracy. And if we are going to have industrial autocracy, I say we might just as well have political autocracy with it and let the packers govern us as well, because if they can run the packing business so efficiently and successfully, they can run the Government better than we are running it, too. I haven't any doubt about it.

The CHAIRMAN. And the railroads, as I suggested?

Mr. HENNEY. Certainly, give the railroads all into one management.

Mr. SANDERS. If they feed us, they will certainly govern us, won't they? They can ration us.

Mr. PARKER of New York. Mr. Heney, following your line of argument in regard to this business, that they could have very strict regulation, doesn't governmental regulation always tend toward monopoly?

Mr. HENNEY. I don't believe that there is any such thing as "very strict Government regulation."

The CHAIRMAN. Effective regulation?

Mr. HENNEY. Effective regulation. I think that the regulated will regulate. They will in the end select the regulators. It is impossible to avoid it, and I have studied carefully the history—

Mr. HAMILTON (interposing). You think that is a problem that is inherent in Government ownership also?

Mr. HENNEY. In Government ownership—it hasn't been tried out yet by a democracy so that we can tell whether it is true or not. The little example that I have seen of it in San Francisco on the operation of the street car lines would not lead me to that conclusion. They have made a success of it, a big success of it from a financial standpoint, and have given better service than the private corporation ever gave.

The CHAIRMAN. Both financially and from the service point of view? From both points of view?

Mr. HENNEY. I think I ought to say right now that I grew up a Jeffersonian Democrat in my beliefs, and I thought the people governed less were governed the best, and it was not until comparatively a few years ago—10 years ago—that I ever began to get a glimmering of understanding of economics from my present viewpoint, and I don't divide men into honest and dishonest men, and I hope that no Member of Congress will think that in putting out the letter from the packers' files that I did it with any desire to injure any individual. The purpose of those letters was to show the methods adopted by the packers, and not that you could draw the inference that because the packer attorney came and talked with one of you men and wrote back and says, "We can rely on so and so," that it was any evidence that the man he had been talking to was corrupt. The man might have had a viewpoint that was absolutely in harmony with the viewpoint of the attorney who was talking to him on the question, and might have been just as conscientious in his viewpoint as I claim to be in mine, and I don't question his conscientiousness when that attorney writes that he could rely upon him, meaning that

he could rely upon him by reason of the fact that he entertains the same viewpoint.

Mr. DEWALT. I may have misunderstood you, Mr. Heney. If I did, please correct me. I understood you to say that you did not believe in Government regulation of industries of this kind, because the regulators would be chosen by the parties themselves, in all probability, and it would not be efficient regulation. Am I correct in so understanding you?

Mr. HENNEY. Yes; but I was stating a general proposition. You must understand because regulation—you want my answer, and now let me finish it. There has been quite effective regulation, both in national affairs and in State affairs in many of the States of this country, but I started to say in addition—and was switched off onto something else—that I had made a study of that, and that my belief is from that study that the tendency is always toward the regulation getting back to where the parties who are being regulated will select the regulators.

Mr. DEWALT. Now, let us accept that. If that be your thought and your conclusion from your experience and observation, will you admit that this present bill—because that is really what we are most interested in—contains strict provisions for regulation and supervision?

Mr. HENNEY. Will I admit that it does contain that?

Mr. DEWALT. Yes.

Mr. HENNEY. Why, certainly, if it is in there.

Mr. DEWALT. Well, you know the provisions of the bill, don't you?

Mr. HENNEY. I have nothing whatever to do with the bill. I haven't studied the bill.

Mr. DEWALT. Now, don't shift—

Mr. HENNEY (interposing). I am not shifting. I say I haven't studied it, and I don't know.

Mr. DEWALT. Then there is no use in asking you any questions.

Mr. HENNEY. All right then, don't ask them.

Mr. DEWALT. But if you at once say that you don't know anything about the provisions of the bill, then there is no use of my asking you about them.

Mr. HENNEY. I don't know anything about the provisions of the bill in detail. I know in a general way that this bill—or at least I understand in a general way—that this bill is like the Kenyon bill that was in the Senate, but I haven't studied the Kenyon bill. I know only in a general way as to what it is said to do, and that is if I understand it, the Government—that the President may acquire and operate the refrigerator cars, the icing stations, and the stockyards.

Mr. DEWALT. Well, go on. Do you know anything more about it?

Mr. HENNEY. No; that is about all I recall.

Mr. DEWALT. Do you know that there is a license system in it? You have been speaking about that.

Mr. HENNEY. I was talking about the Kendrick bill.

Mr. DEWALT. Well, the Kendrick bill. Now, there is a license system in this bill. There is a provision also in this bill that the Government not only has the right to supervise and regulate, but to actually take over these establishments in great part, and as I construe the bill—and I don't think I am wrong—it gives only to the

packers the right to slaughter their beef and to use their slaughtering houses; all other concomitant features or relative features to their business are really under the strict supervision, and possibly under the ultimate ownership or taking over by the Government. Now, I think that you would admit that if I am correct in saying that those are the provisions of this bill that is a very strict regulation. You would admit that, wouldn't you?

Mr. HENEY. Well, as to how strict it is I would have to know what the exact provisions of the bill are.

Mr. DEWALT. If I am correct in my judgment, if I am correct in my premise, then you will admit as a lawyer that that is strict supervision and regulation, won't you?

Mr. HENEY. Why, you haven't stated anything that seems very strict to me. You have stated something that means regulation, but how strict it is—there is nothing in there to indicate to me whether it is strict or not.

Mr. DEWALT. Well, I will ask you in every possible way that I can. Let us strike out the word "strict." If my premises are correct in stating the provisions of this bill, then do you admit that this is regulation and supervision?

Mr. HENEY. Certainly.

Mr. DEWALT. Now, having already stated that you do not believe in regulation and supervision, because it ultimately leads to the fact that those to be regulated choose the regulators, what is the use of this legislation at all?

Mr. HENEY. Why, I didn't recommend that regulation.

Mr. DEWALT. I am asking you what is your conclusion. I am not asking you what was your recommendation.

Mr. HENEY. It is not up to me to decide what is the use of it; it is up to you gentlemen to decide what is the use of it.

Mr. DEWALT. That is your answer?

Mr. HENEY. Certainly that is my answer. If you want to know what I would do, I can tell you, and will gladly tell you.

Mr. DEWALT. Wait a moment. I would like to ask you this. I supposed that you went into this investigation for the Federal Trade Commission with the hope in mind that you would find a remedy. did you not, Mr. Heney?

Mr. HENEY. I suppose that would depend—you ask me whether I thing so or not?

Mr. DEWALT. No; whether you entered into this investigation with the Federal Trade Commission with the hope in mind?

Mr. HENEY. Of course, you are only asking for my opinion when you ask that.

Mr. DEWALT. That is what I am asking for.

Mr. HENEY. Of course, that would be my opinion.

Mr. DEWALT. Now, what was the purpose of this investigation? You have said that you do not believe in criminal prosecutions for the purpose of remedying such evils. I think I am correctly stating that.

Mr. HENEY. Partially so, yes. I stated it differently.

Mr. DEWALT. So that would not have been the purpose. You didn't go into the investigation for the purpose of obtaining evidence to institute prosecution?

Mr. HENEY. I did not.

Mr. DEWALT. Then, the other purpose must have been in all probability for the remedy of this evil by legislation. Is that correct?

Mr. HENEY. No; it is not correct. I went into it for the purpose of discovering what the facts are, so that Congress would be in a position from knowledge of the facts to work out a remedy.

Mr. DEWALT. What did your clients tell you was the purpose of the investigation?

Mr. HENEY. Exactly what the letter of the President contained.

Mr. DEWALT. Well, what was it?

Mr. HENEY. You have read it.

Mr. DEWALT. Give us succinctly what, in your mind, was the purpose as disclosed by your clients of the investigation and ultimate legislation?

Mr. HENEY. Investigation so that upon the evidence produced by that investigation my clients could reach their own conclusion as to what recommendations they wanted to make to the President in the matter—if they wanted to make any—along with their report. They were not bound to make a recommendation; they were bound to make a report as to what the situation was that they found.

Mr. DEWALT. Now, the result of it, however—and we can judge motives, possibly, by results—the result of it has been the presentation of this bill by the Federal Trade Commission. They claim authorship of it—Mr. Colver does, and its agents. Now that being the result, and if the purpose was not criminal prosecution or other prosecution, and if the purpose was legislation, then, don't you think, Mr. Heney, that it would have been better to have heard both sides of this question in reference to proposed legislation?

Mr. HENEY. The President wanted to know whether or not violations of law had occurred. The President, evidently from his letters, thought that if violations had occurred, prosecutions ought to follow. I am not President. You have read his letter.

Mr. DEWALT. Yes.

Mr. HENEY. You can't construe it in any other way.

Mr. DECKER. Now, Mr. Heney, I can't help but feel that you have some doubt in your mind that these few things mentioned in the bill, to wit, refrigerator cars and the ownership of the stockyards by the Government, and taking charge of the rendering plants, will at least not solve all the difficulties in this great problem. Would you mind giving us, not as a lawyer for anybody, not as a representative of the Federal Trade Commission, but as Mr. Heney of the United States, what you would do as a citizen if you were in Congress, or what would you recommend that Congress should do?

Mr. HENEY. Well, I would be very glad to tell you what my views are on the subject.

For the past 10 years I have been devoting some considerable time to the study of what I might call political economy. I have not arrived at any conclusion that there is any panacea for the woes of mankind, or that there is anything that is going to give us perfect conditions. I am not a faddist. There isn't anything that I have read about that convinces me that I am convinced it will work out and save mankind from the effects of grief; but I am equally well convinced that, to state it in a sentence, that more of our troubles come from lawmakers than from lawbreakers. And I mean by that this: That is, I am satisfied that our economic troubles come partly

from positive laws and partly from the absence of positive laws; that some of the laws we have are wrong in their tendencies, and that there are some laws that we ought to have to overcome these tendencies. Now, I am satisfied that these great fortunes are, every last one of them, based on special privilege of some kind, and I am equally well satisfied that Daniel Webster was right when he said, way back in 1826:

Any nation whose laws are so framed as to permit the accumulation of wealth in the hands of the few will inevitably come to one of two ends: Either the many will become subservient to the few, or else the many will take it away from the few.

The CHAIRMAN. That was Daniel Webster?

Mr. HENRY. Yes; that was not Debs.

The CHAIRMAN. From Massachusetts?

Mr. HENRY. And he said it many times in public speeches, and it only shows that he was a student of history, because every student of history must know that that has brought about every revolution that ever took place in the world, with the possible exception of the American Revolution. These recent ones are based on that. Now, therefore, it seems to me that as a Congressman I would study a law always from the standpoint of what tendency will it have toward helping to create this accumulation of wealth in the hands of the few as opposed to distribution of the wealth, and the question as to whether or not in the long run it would have that tendency, keeping in mind all the time this practical proposition, that we must not retard production but must increase it, and that anything that is going to interfere with production in the long run—because you may sometimes have to stop production for a short period in some line in order to accomplish the other thing—but keeping that in mind, that production and increased production is absolutely essential if we are ever going to have what we are aiming at, to wit, enough for every man, woman, and child in the land to have plenty to eat and plenty of proper clothing and a fit place to live in—and I suppose that is what we are all aiming at—to do that you must produce more than we are producing now. But, fortunately, nature has supplied the energy with which to produce the wealth, and in the water power of this country alone, still in public ownership, we have energy which is the equivalent of millions and millions of average men. There is said to be at least 200,000,000 horsepower that is available for development at a cost that would make it profitable to use it. And what do we mean by that? A horsepower is what the average horse will do in eight hours—what the average horse will do in eight hours, can deliver, we will say. Well, now, that is the equivalent of what 12 average men can do in eight hours.

Mr. HAMILTON. Six, isn't it?

Mr. HENRY. Twelve. I am positive it is 12, according to the greatest English authority. And that 200,000,000 horsepower is 12 times 200,000,000, or 2,400,000,000 men power working eight hours a day forever; and I say that if we permit that to go into private ownership it is easily susceptible of monopolization by reason of the large amount of expenditure necessary to develop it. And when you have got it into one corporation, or only into a few corporations, you have given them the equivalent of the ownership of 2,400,000,000 average men's energy with which to create wealth, and there are

only about a billion people on the face of the earth, who must be in competition with it.

But look at the other brighter side of it. We have found five things with which to create wealth outside of human energy and domestic animals. We didn't have anything but human energy and domestic animals until this Scotchman Watt invented the steam engine, about 150 years ago. Up to that time the only energy of nature that we were able to use was wind for windmills and for sailing vessels and overhead and undershot wheels in running streams of water. They first developed timber, wood, with which to produce energy; then coal; then finally, in 1859, oil—not until 1859—and natural gas, and now within the past 30 years the greatest of all, hydro-electric power, which they are now getting to a point where they can take it 1,000 or 2,000 miles away and make it wash our dishes and milk our cows and churn or milk into butter, etc.—do a thousand and one things. Now, those five things, timber, coal, oil, natural gas, and water power, are the energies upon which we must rely with human energy for the production of this wealth by which we are going to have the food and the clothing and other supplies to go round. Personally I believe that each of those five should remain for public ownership forever, because it is the only way to prevent them from being monopolized, and you can't afford to have that energy monopolized.

Now, what is the objection to it? The coal mines of England are in private ownership, and a few men who own them were able to destroy the industries of England and refused to compromise with their laborers and arbitrate a few years ago—in 1911—and Parliament had to pass a minimum-wage law to settle the thing, and at that time a strike was sudden in the anthracite coal fields. If it had taken place they told me up in Brockton, Mass., that the shoe manufacturers up there—I happened to be up there—that they were using anthracite coal; that they had their contracts ahead; that if that strike took place, every one of them would go broke, and that it would break most of the banks in the town. And I said, "Yes, and who controls the anthracite coal?". They didn't know, but I did. It was six railroads. One railroad owned 68 per cent of it, and the six railroads controlled 88 per cent of it, and the industries that rely upon anthracite coal along this coast were in a position where it is doubtful whether the President has any power or right—although Roosevelt threatened to go in there and operate those coal fields. Now, talk about fearing political power, the power of the controllers of those coal fields over the industries of this country and over the millions of employees of those industries—over the welfare of all those people—is just as great as any czar ever exercised in Russia.

Now, oil came along, and that has been very largely monopolized. Your water power, so far as developed, is being monopolized. Now, I am only pointing out the tendency, because I want to answer your question by first laying the foundation.

It seems to me that in studying this meat-packing business that the big packers got their first start—unfair start—by rebates from railroads, and it is admitted that they got them. They got their second start, a tremendous one, when they got the control of the refrigerator

cars, and that stopped the shipping of live animals to the eastern coast, because it was so much cheaper to slaughter them out there, and as shown by that letter that I spoke to you about, Chicago is the wrong place—Ogden Armour admits, and Swift admits it is; that as a matter of fact animals can be slaughtered cheaper at the point of production, much cheaper, so that the consumer would get it for less money, and that their by-products can be taken care of just as well as Kansas City and Sioux City and Omaha, as they can in Chicago: that there is no economic excuse for it being done on the larger scale in Chicago to-day, but it grew up on the strength of the refrigerator car first, the ownership of it, because as their business increased and they had received these rebates so that they got the advantage of the others, so that the business became more concentrated, they became as important to the railroads as the railroad was to them, and they were able to compel the railroad to give them, as you will find. I think, when you go into the question, if you have the Interstate Commerce Commissioners to tell you about it, that the packers are getting a cheaper rate than any other commodity hauled in the United States, with the exception of coal.

So, with the refrigerator car being the basis, eliminating rebates now, what is the next thing? The stockyards. And by the control of the stockyards they put these rendering plants in there—take the control of the stockyards away from them, and anybody can go into the rendering business and buy these dead animals and get them out of the yards. You take that monopoly away from them; you take away the fear that the commission man has now, very largely, which causes him to give the big packer the preference always, although his duty is to the farmer—he has nobody else to do business with; 90 per cent of the cattle that come into Chicago have to be sold to these five. Put yourself in his position as a commission man, and would you want to antagonize these five buyers by selling to a trader from the outside who buys one lot and may not be back for a week or a month? Why, it is perfectly simply as to how it works out, and they eliminate one after another of these traders so that the amount of trading that is done there, and the number of traders there is falling off year by year, until it has gotten down to a very few.

Now, taking the refrigerator cars and the stockyards as being the two instrumentalities with which they maintain this advantage, and mark you, before they got the control of the yards the yards were very profitable in these large centers before they got control of them—they say they built up these yards. There are only about two or three places where they built up the yards. It was after the yards were built up that they took a club and beat the owners over the head with it and took the yards away from them. Why, this proceeding by which Armour acquired the control of the Chicago stockyards is one of the most scandalous, crooked deals I ever came in contact with.

Mr. DOREMUS. Can you explain that?

Mr. HENRY. I have, this morning. Now, when they control the stockyards they control the sites. If a man wants to start a packing plant, he has to get their consent to get into the yards where he can get his cattle into his plant when he buys them in the yards without

having an expense in addition to what they have, so that they won't have an advantage over him in that respect. Take this man out here at Sioux City—Heney—who was not permitted to have a gate. The stockyards had grown out around him after his plant was made there and they wouldn't permit him to have a gate so that the hogs could be brought through from the yards, and the yards were all around his plant, but he had to drive those hogs out into the public street, where there was a street car line running along, and teams, etc., and drive them down there for a block and a half to that place in order to slaughter them; and then he couldn't get them over to the railroad without putting them in a wagon and hauling them; and in the summer time you take them out of a refrigerator and put them into this wagon to haul them a block or two blocks before you can put them into the refrigerator car, and anybody who knows anything about the business knows that he was working at a disadvantage that would not enable him to compete with the big packer. And he couldn't get his spur track because of the control of the Swift people in the politics of Sioux City, where they own practically everything there is in sight, including the street railroads and the public parks.

Now, take the stockyards away from them, I say, and put it where it won't be with anybody who is going to give them the advantage and make a deal with them, because putting it in other ownership won't cure it. It was in other ownership here until 1911. Armour didn't own anything in the Chicago stockyards, but what did they do? They held up the stockyards company with a threat to move, and for 15 years they got \$3,000,000 paid over a period of 15 years, and when the 15 years was up they demanded that they continue to get that. Now, there is an advantage that a smaller packer has to count off from the profit end of things before he has any profit left, as compared with them; so I say it is absolutely essential to take the refrigerator car and the stockyards away from them, and I say to turn it over to the railroads will not accomplish it, because the evidence taken from the files of the packers shows that they are able to coerce the railroads into doing what they want by reason of the immense amount of freight that they handle. They took the Hodge yards; they made the M., K. & T. close up the Hodge yards down there near Fort Worth. Now, the Hodge yards were not in any competition with the Fort Worth yards; it was merely a feeding station, where men in Texas shipping cattle up to Oklahoma or Wichita or Kansas City would ship them and they would be watered and fed in the Hodge yard. They didn't want them unloaded at Fort Worth, where Armour and Swift would have an opportunity to examine them and make a bid on them and then wire on what they had offered. And that wiring-on system is something that I would like to take up with the committee when we get around to it. So if they forced the railroad to close the Hodge yards by not shipping anything over the M., K. & T.—Armour and Swift—I say that if you give the railroads the yards that the packers are going to have the influence with the railroads that will enable them to still continue an advantage by reason of that.

And so I am finally forced to the conclusion that public ownership and operation of the refrigerator cars and the stockyards is the only remedy for the situation. Now, when you have done that you will not have effected a cure. The packers have established cold-storage plants in the large cities, or in most of the large cities, and that cold-storage plant is essential to a small packer—not essential; he could do some considerable business without it—but you would accomplish a great deal by taking over the refrigerator cars and the stockyards, but you would not accomplish it all by any means, but the additional thing would be the maintaining of cold-storage plants in the large cities to which a small packer could ship carcasses. And what would happen? Why, brokers would start in on that business; the jobbing trade, the wholesale meat trade would spring up again in all of its virility that existed in the days before the packer got control of the refrigerator cars and drove them out of business. There isn't any question but what small packers would spring up, and the big packer admits that the small packer can make more profit and is making more profit on the amount of his business than the big packer is. If he is, it must be because he is operating more efficiently. They say it is because their overhead expenses are so great on account of this great distribution system. They admit that the slaughtering ought to be done closer to the point of production, and their figures show that there is a great deal of gain in doing it closer to the point of production. Now, that doesn't mean that there will be thousands of small places where they will slaughter, but it does mean that there will be a great number of places like Sioux City and Omaha and Kansas City and Fort Worth and St. Paul, that are close enough to these places—and I am talking of cattle in particular now, because hogs you can put a plant in almost anywhere and handle hogs successfully, and the small packers are competing successfully in the hog business; they are continuing to compete successfully to-day, and if they don't use unfair practices against him the small packer in the hog business can maintain himself all right to-day without anything being done. But the trouble is that they are in a position where they can and they do use unfair practices.

Now, the question arises as to whether or not the Government can take over the cold-storage plants and also the question whether they can take over the stockyards. There is no question about their power to take over refrigerator cars. Mr. Levy Mayer raised the question about the constitutionality of taking over stockyards. Personally I don't think there is much danger from that question, but as to their taking over the cold-storage plants, I think there is a great deal of doubt as to the constitutionality of it. I don't think there is any doubt, however, but what the Federal Government could establish cold-storage plants in cities, build them, and could provide that interstate shipments of meat must go to the cold-storage plants of the Government. They have the right, of course, to inspect meats, and they are inspecting them because tuberculosis exists among cattle and hogs, and I think if the Government wants to have real competition in the meat business that what I have pointed out now is the solution.

Now, on the necessity of the ownership of private cars one other thought comes to me. You see the big packers have gone into poultry, cheese, butter and eggs, rice—Armour rice, Armour coffee, canned vegetables, and canned fruits—and by the ownership of these cars plus the tremendous amount of freight business which they give the railroads by maintaining a staff of men to watch the cars and expedite them, they succeed in getting their cars over the road so much faster than anybody else can get his stuff taken over the road that in that thing alone they have an advantage over their competitors in the canned-goods line as to vegetables and fruit, and over their competitors in rice and in coffee and in each one of the other commodities that they may choose to take up and add to those they already have; and with this great distribution system and these cold-storage plants and their sales agents for the beef that can just as well add one other commodity at any time without any additional overhead expense, they are in a position where inevitably they are going to take one commodity after the other until they have all of them in the food line, all that they want to have.

Mr. DEWALT. How are you going to stop that?

Mr. HENNEY. Well, those are three things. Those are the only three things that I have to suggest. I think that those three things are at the root of it. I would not regulate the packer at all. I would not undertake to license the packer at all; I would let the packer be just as free as he is now, except that meat for interstate shipment, of course, must be inspected, but by taking those three instrumentalities—taking the two instrumentalities of monopoly, the refrigerator car and the stockyards, and the third the cold-storage plants—I wouldn't take them away from them, because I don't think you constitutionally could; but I would supply Government-owned ones in the larger cities. That would remove a large part of the advantage which the packers have now, and, in my opinion, instead of continuing to go at the rate he has been going in size over his competitors, he would commence to decrease proportionately to his competitors.

Mr. DEWALT. The reason I asked you that question was that there was some gentleman here by the name of Smith, I think it was, who in the line of your thought went on to say that we ought to have a service haul, compensation for the service haul, and do away with the car haul, the full-car haul service.

Mr. HENNEY. What do you mean by "service haul"?

Mr. DEWALT. A charge according to the amount of service rendered, irrespective of the quantity shipped.

Mr. HAMILTON. In carload lots?

Mr. DEWALT. In carload lots, yes. You were saying that the large man had the opportunity and the ability to get his stuff in quicker

eight he controlled.
nittee will resume its sitting at 10.30
at which time Mr. Heney will resume

k p. m., the committee adjourned until
February 18, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, February 13, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

**STATEMENT OF MR. FRANCIS J. HENEY, OF LOS ANGELES, CAL.—
Resumed.**

The CHAIRMAN. Mr. Heney, you may proceed with your statement in your own way.

Mr. HENEY. Mr. Chairman, I want to summarize on the Magivny question.

In regard to the witnesses there were 21 of them heard. This was at the St. Paul hearing.

Mr. Magivny said with exception of four live-stock shippers they were practically all retail butchers. As a matter of fact there were four retail butchers heard beside the four live-stock men. That leaves 13 witnesses that Mr. Magivny has forgotten about. The butcher whom Mr. Magivny said was dismissed by Mr. Heney occupied 14 pages of the hearing and had covered the subject matter. The live-stock shipper who was criticised as an incompetent witness because he had not shipped cattle to the St. Paul yards for five years, testified that he had given the St. Paul yards a thorough trying out, and found there was no competition worthy of the name there, and thereafter shipped to Chicago, where he got better prices, much more than enough to cover the extra freight and shrink. He furnished figures to prove this. All his cattle came from northwest of St. Paul, and he would naturally market his stock there.

As to the charge that the witnesses were all men who had some complaint, there were seven witnesses who had no complaints to make. The testimony of these witnesses occupied 432 pages out of 785 pages of the entire hearings, or more than one-half.

Mr. Magivny further complains, on page 1173 of the House hearings:

I protested to Mr. Heney that he was filling the records with evidence not supported by fact or circumstance. I told him I wanted to cross-examine the witness and would guarantee to disqualify him as a witness. Mr. Heney said he would not permit any witnesses to be cross-examined. I asked for privilege to go on the stand to refute such testimony and my statement was from time to time interrupted by Mr. Heney with the remark that I was making an argument and not giving testimony.

I pause here to remark that the record will show that on one occasion, possibly two, I did suggest to Mr. Magivny that he was making an argument rather than testifying, but permitted him to go ahead and complete his argument. He never asked me to cross-examine a witness or to examine a witness but once, and then I permitted him to do so, and every time he asked to go on the stand, and that was at least twice, and my impression is three times, to answer witnesses who had been on the stand I permitted him to go back on the stand to do it.

It is not customary at Federal Trade Commission hearings to allow spectators to cross-examine witnesses. However, the following ex-

tract from the record of the St. Paul hearing, page 1613, shows that Mr. Magivny was treated fairly:

Mr. HENEY. Mr. Magivny, do you desire to make a statement in elaboration of any of the testimony or explanation of any of the testimony you have given or in answer to testimony that has been given by others?

Mr. MAGIVNY. Yes, sir.

Mr. HENEY. You may do so.

And then he proceeded to do it, and on his examination, it closed, at page 1280, in this way:

Mr. HENEY. I am through with Mr. Magivny, unless he has something he wants to suggest.

Mr. MAGIVNY. Nothing more.

Then after witnesses had been on the stand I asked him if he wanted to go back. He said he did, and he went back.

I invite a perusal of that record from beginning to end; of the Boston hearings, the Philadelphia hearings, or any other hearings, but I specialized on St. Paul, Boston, Philadelphia, Omaha, and Kansas City, where I think the most important witnesses were on the stand. I suggest that any member who feels he can take the time to read the record, read it, and if he finds there is anything unfair about it I will be willing to be condemned publicly, and will apologize publicly for my action in the matter.

The record shows that Mr. Magivny returned to the witness stand three additional times after his first appearance thereon, and his total testimony occupied 169 pages out of the total of 735 covering the hearing. Three other witnesses in the employ of the big packers were heard. Mr. Heney did allow Mr. Magivny to question A. N. Craighead, the only witness he requested permission to examine. This examination appears in St. Paul hearings.

Now, the next matter I want to take up is that involving Mr. Hormel. Mr. Hormel testified here, as appears in House hearings, page 1400, as follows:

Mr. WINSLOW. I would like to ask you if you have ever been squeezed by any of the big packers in the conduct of your business?

Mr. HORMEL. I was not conscious of it if I was.

Mr. WINSLOW. Did you ever know of any small packer who had been?

Mr. HORMEL. I do not recall any.

Mr. WINSLOW. Do you feel that the presence of these big packers and their methods in vogue operate against the conduct of business by independent and smaller packers?

Mr. HORMEL. We have not experienced anything of the kind.

Mr. WINSLOW. You do not know of any methods which would lead to such influence?

Mr. HORMEL. No; I do not know of any.

Now, by way of contrast to that testimony given here, not under oath, I desire to read into the record testimony of Mr. Hormel, given at St. Paul under oath when placed upon the witness stand and examined by me without having any prior interview with him at all.

The CHAIRMAN. What is the date?

Mr. HENEY. It begins at page 1522 of the record of public hearings of the Federal Trade Commission, as follows.

The CHAIRMAN. When was it held?

Mr. HENEY. The date was January 15, 1917.

Q. Have you had any competition in the buying of hogs in the immediate country surrounding Austin—any competition from any one of the big packers?—A. Why, yes; we have competition.

Q. Which big packers buy in there?—A. Why, Wilson & Co. have a plant 25 miles east of us.

Q. At what point?—A. Albert Lea.

Q. When did they acquire that plant?—A. I think it is about three years ago.

Q. Was there a plant there before they went in, or did they construct that?—

A. No; there was a small plant there, and they bought it.

Q. Did they enlarge it?—A. They did.

Q. About how many hogs do they slaughter there, do you know?—A. Why, I guess they slaughter 1,000 or 1,500 hogs, I guess, a day, and quite a few cattle.

Q. As many cattle as you do?—A. More cattle.

Q. And they cut in on your hog supply any in that area of country?—A. Naturally.

Q. Has there been any treaty of peace of any kind between you and them?—A. No.

Q. No question of division of territory?—A. No, sir.

Q. Has the matter ever come up between you?—A. Never.

Q. Have you ever talked with anybody, or to Wilson & Co., or S. & S. Co., when it first started?—A. S. & S.

Q. Did you talk with anybody representing the S. & S. Co. in regard to the effect of their putting that plant up there?—A. Yes.

Q. With whom?—A. Talked with their representatives. We told them we thought there was not room enough there for two plants—hardly room enough for one in that immediate territory.

The CHAIRMAN. S. & S. Co. means Sulzberger & Sons Co.?

Mr. HENRY. Yes; which has become Wilson & Co. [Continuing reading:]

Q. Who did you talk with?—A. Oh, with different ones connected with the concern.

Q. Well, can you name some of them?—A. Why, I forget who—Hawkinson is one, I guess.

Q. Who sought that interview? Did he come to you, or did you go to him?—A. Why, I don't know. I guess we kind of got together sometimes and talked these matters—talked the matter over. I believe it was during the time that the—I can't tell just exactly the time it was, but naturally other people send representatives around to your plant to see what you are doing and how you are doing it, and we send the men around and see what others are doing, and perhaps under those circumstances the matter came up. We thought it was too bad that they were putting this plant in our immediate territory.

Q. Well, what was the substance of the talk between you and Hawkinson?—A. Well, that is about the extent of it; that we thought that that was a poor move on their part to get into that territory.

Q. What did he say to that?—A. Well, I don't remember what he said, only it did not seem to bother him any.

Q. That is about three years ago that they went in there, you say?—A. I think it was. The plant was originally built by a local party there that thought he could run the packing business the same as lots of others, not knowing what a treacherous business it was.

Q. Did you know a man named D. L. Brooks in connection with that plant?—A. D. L. Brooks; no.

Q. A man named Brooks?—A. Not in connection with that plant. There used to be a man named Brooks, used to be superintendent for us, that built the Faribault plant. Oh, yes; there was a Brooks. He had a brother running that.

Q. A brother?—A. Yes.

Q. And do you know how he came there—who he was representing?—A. Why, I guess he was representing the people that built the plant, as I understand it.

Q. And you understood it was local people that built the plant?—A. Originally, yes.

Q. Then it was sold out to whom first?—A. To S. & S.

Q. The S. & S. bought it?—A. Yes, sir.

Q. Do you know who that Brooks was working for, before he got connected with that plant?—A. Why, I know that he was working for some concern in the yards, but I could not state positively who he was working for.

Q. In the yards?—A. United States Yards, Chicago. I know he was with some house. At one time he was a Government inspector, I understand, in the employ of the Government.

The reason I asked these questions about Brooks was that during the course of our investigation, we found that Mr. Brooks, the same Brooks, had built two or three other plants in the Southern States, I have forgotten just where now, and he would get local capital interested, and in one case he made a proposition to them that if they would put up half the capital he would get a big packer to put up the other half; and in two of these cases, within a very short period after the plants were built, one of the big packers acquired them; and so I had it running in my mind that probably Brooks was sent out by them, and I wanted to see what I could find out on that subject. It was subsequent to this that he built the plants in the South, just recently. [Continuing reading:]

Q. Then he went to work for one of the big packers?—A. Yes, sir.

Q. Then he went out there and got local capital to put up that plant?—A. Well, local capital got him, I guess, from what I can understand.

Q. Do you know what he is doing now?—A. Why, the last I heard of him, he was down in Virginia, somewhere, in that section of the country.

Q. Putting up plants?—A. Putting up plants; yes, sir.

Q. You don't know how many he has put up in the last few years? A. I do not. I know that he put up a plant there, and I haven't heard much of him since.

Q. When that plant first went into the hands of the S. & S., did you go into the territory which was the natural supply territory for that plant and offer higher prices than you had been paying—a somewhat higher price than you were paying in other territory where they had not reached yet?—A. I don't think we did. We have our price fixed f. o. b. Austin there, and everybody gets—

Q. Ddn't you make any kind of an aggressive campaign to hold onto the customers you had in that territory that they were starting in?—A. Why, naturally we do our best to get them over to us.

Q. Well, did you offer a little better price or inducement of some kind in order to hold onto them?—A. Why, we offered as much as we thought the market would stand.

Q. Yes. What I want to get at is whether that was a little better than what you were paying over in some other parts of the territory that you buy in, where they were not buying yet?—A. Well, I will tell you; we never have gone into discrimination in the buying of our stuff, because we could not do it and do it long. The only confession we make at times is if there is a long haul for any reason, we allow a little in the shrink.

Q. Well, as it turned out that there is plenty of hogs for both in that territory, or were you getting your full amount of all your hogs in that territory before they came in there?—A. Well, there are times when we get all the hogs we can possibly handle, and, of course, we miss the hogs that they are getting now, the majority of which we would have got.

Q. Well, do you find that they are aggressive in trying to get business in your territory in the way of purchasing hogs?—A. I suppose they are just as aggressive as we are. They are trying to get as many as they can.

Q. Are you just as aggressive as you were at the beginning?—A. Naturally we try to get all of the hogs we can. What we could not get in our own territory, why, we would have to go outside for, and we would naturally try to avoid going to other markets.

Q. But now, then, in order to avoid going to other markets, have you increased the price that you paid for hogs to a point that would equal the price you would pay in the other markets, or probably pay plus the freight that you would also have to pay from the other markets, or the difference in freight between these other markets and the places you would buy from in your own territory?—A. Why, no; if we had to buy all our hogs at other markets, why, we would not be in business very long; but we have got to keep our organization together, and we have got to give our men full time, and there is a very, very

slight margin in the hogs that we get on the outside. I would have to go into a little explanation to have you see the reason for that.

Q. Do many of your hogs come through Albert Lea, in reaching Austin?

That is where the Wilson plant is; Albert Lea is where the Wilson plant is located. [Continuing reading:]

A. Anything from the west has to.

Q. What proportion of your hogs comes from the west?—A. Well, there isn't very many at this time—just what proportion, I could not tell. The live-stock department is more familiar with that.

Q. What is that?—A. The live-stock department, of course, are familiar with that end of it. I get the report of the whole, you know, and I don't—

Q. Well, is it your conclusion, then that the establishment of the Wilson plant at Albert Lea has largely cut off your supply from the west?—A. Naturally it does.

Q. That is a little more advantageously located for that supply than you are, 25 miles beyond?—A. Of course, anything that comes from the east—

Q. You have the advantage over them?—A. Over them.

Q. Well, now, then, is it not a fact that you find it mutually advantageous for you to not to try to buy in the territory immediately west of Albert Lea, and they not to buy or attempt to buy in competition with you in the territory immediately east of Austin?—A. There is no such—

Q. No agreement of any kind, but has that been the result?—A. No; we are trying harder than ever before to get the shippers.

Q. You are not getting much, if anything, from the west?—A. Well, we are getting quite a few shippers from the west; yes. We have our friends that stayed by us. Naturally, they don't all leave, but if there is another packer started up, why, he would get his share. We all would get a portion.

Q. Yes; but I understood you to say you were getting practically nothing from the west. Do you want to revise that statement?—A. Well, not in the numbers we used to. Naturally, he will get the bulk of the hogs.

Q. Does he get many of them east of Austin?—A. Occasionally he gets some from the east.

Q. Does he get many?—A. I could not say that he gets many, no more than I could say I get many from the west.

Q. You don't think he does get many, do you, from the east of Austin?—A. I don't think he does. I don't think he gets as many from the east as we get from the west.

Q. Does he get as many as you do between Austin and Albert Lea?—A. Well, I kind of think we get the advantage of him there, because we happen to have a shipper that is favorable to us, as I understand it. I have not investigated it lately.

Q. Do you think it is a little better than fifty-fifty?—A. Oh, yes; I think it is.

Q. Here is an extract from a letter, dated Chicago, Ill., January 25, 1915, to J. H. Hawkinson, signed J. Moog, re Albert Lea plant. Do you remember meeting Mr. Moog?—A. Yes, sir.

Q. You had a talk with him about their coming in there, did you?—A. About establishing themselves there?

Q. Yes.—A. No, sir.

Q. Did you ever have any talk with him about—do you recall any talk with him about the effect of their establishing themselves there?—A. Oh, yes: Mr. Moog was the gentleman that was there; yes, sir; but you did not ask me a minute ago to recall his name. If you had not asked me, I could not have mentioned it, because I have only met the gentleman once.

Q. Was he with Mr. Hawkinson?—A. No, sir.

Q. He came alone?—A. Yes.

Moog was an employee of Wilson & Co., the same as Hawkinson, or, rather, of the Sulzberger & Sons Co. it was at that time. It was a year later that it became Wilson & Co. [Continuing reading:]

Q. He wrote this letter on January 25, 1915, to Hawkinson. This is a part of the letter of the files of Wilson & Co. I wanted to see how near it comes to being your understanding of the situation at that time:

"Believe that the coming week, when we will endeavor to buy up close to the maximum capacity, will demonstrate the question as to the possibility of getting sufficient supply of hogs without we be—more aggressive."

The plants had only been running a few weeks.

[Continuing reading.] "I personally feel that we have been able to obtain our present supply of hogs mainly by reason of the various shippers desiring to try out the results obtained on shipments of hogs to Albert Lea versus Austin, but as soon as the shippers have made the test shipments it will be naturally a question of service and competition whether the supply of hogs can be obtained on the proper basis. The Austin Co., from best information furnished, and which I was able to verify to a certain extent, are carrying on a very aggressive campaign on the question of purchasing hogs, and are apparently specializing in our natural territory, figuring on carrying higher prices there and protecting themselves in the further outlying territory, which at the present time we have not entered into, an instance of this being as follows: 'A shipment of hogs from Otisko, on the Minneapolis & St. Louis Railroad, which hogs were controlled by Mr. Wilson, president of the Freeborn State Bank, we bought at 6.55. Austin sent out a buyer and paid 6.55 at Otisko, and in addition paid the freight from Otisko to Austin. On the Rock Island, at Owatonna, which is strictly tributary to Albert Lea, Austin are maintaining a paid buyer and buying hogs at that point and standing the expense of shipment to Austin. At Hope, on the Rock Island, which is also a point strictly tributary to Albert Lea, they have started a vigorous campaign, as on our shipments made this week, where we originally expected to receive four cars, they managed to have two cars diverted to Austin for comparative results. In fact, on almost all of the Rock Island points, which are naturally tributary to Albert Lea, Austin are absorbing the freight from Albert Lea to Austin.'"

Well, that is as far as it goes on this particular instance. Does that refresh your recollection any?—A. What is the date of that letter?

Q. That is January, 1915—January 25, 1915.—A. I guess that is true. We had a buyer at Owatonna at that time, which we haven't now, and we had an assistant there, and he would go out on these lines and induce these shippers to ship to us, but we would absorb the freights from the Rock Island road to Albert Lea—equalize it, I guess it was. That is, the shipper only had to pay the freight that he would have and we would absorb the other.

Q. When did you quit doing that?—A. Why, I don't know. I don't know whether we are getting any of those hogs now or not, but you take any of the hogs off the North Western road, we would have to absorb the freight to Owatonna, for instance. We would have to equalize the freight where they come a long distance that way.

Q. You do not know whether you are doing that now?—A. We do off our regular line of road. We have to do that, because, you see, there is two freights, and we have to absorb one of them.

Q. The rest of the letter is as follows. It may interest you:

"Unless it is demonstrated by this and next week's prices that we can continue to get the proper volume of hogs in the face of this competition, we will recommend that we place a buyer in strictly Austin territory, having this buyer ship hogs purchased direct to Chicago or some of our other plants. In order to do this it would be necessary for some one to go on the ground and study carefully the territory where this could be worked out to advantage. My views generalized are that the point where this could be worked out would be on the Milwaukee road, between Fairmont, Minn., and Pipestone, S. Dak.

Pipestone would be in Minnesota. From Fairmont, Minn., and Pipestone, S. Dak., is the way he has it here.—A. That would be Pipestone he had reference to.

Q. In Minnesota?—A. Yes, sir.

Q. Probably a typographical error in the copying.

"We now go west on the Milwaukee to Fairmont, from Albert Lea, and east from Sioux Falls as far as Pipestone. Austin is buying hogs in between this territory and evidently to very good advantage, as their only competition is for eastern shipments or for Sioux City. I understand that is one of the best hog territories in the State, and undoubtedly Austin are holding their prices there so as to protect the average they are buying in the nearby territory. I believe by a strong action of this kind and that they would realize the necessity of harmony."

What I was interested in was to know whether or not that harmony has come. We are all looking for peace.—A. I do not know that it has come yet, and I have not realized it.

Q. What is that?—A. I say I have not realized it.

Q. It has not interfered with profits much this year, has it?—A. Well, your profits all depends on how you conduct your business. If you had been a pretty good guesser last year you would have made a profit, and if you were not you couldn't.

Q. Well, the big packers seem to have guessed all right.—A. Yes, sir; they have. We could not help it. You could go out and pay any price for stuff, last fall, and with the rise of the market, why, get a profit; but that market has got to go down some day and you will get the other side of it.

Q. You will get the other side of it if you have a very large amount on hand if you pay that price for it, but if you can succeed in unloading it before the market goes down, it does not make any difference to you, does it?—A. Well, you take in our business, for instance, where you sell a large part of your product through your salesmen, you have to accumulate during the months of plenty, like the winter months—the winter packing season we have to have a large cold storage plant and have the goods during the times of scarcity.

Q. Yes; and that cold storage plant—A. Why, we have to take the bitter with the sweet.

Q. Sure; and that cold storage plant is found very useful, when there is a large supply on hand—too large a supply to meet the demand, to put the excess supply in and keep it until the shortage time arrives, and get the high prices for it; is not that a fact?—A. Well, of course you don't keep it for the purpose of getting a lower price, but there are times when we have taken a lower price for it. There are times when there was too much of it before the season ended, and we have to let it go at a lower price. There is nothing certain about it.

Q. I suppose the only thing in life that is certain is death. I have been told that a number of times.—A. Sure.

Q. Well, have you any suggestion to make to the commission?

Now, I call attention to that question because there was not a witness whom I thought was in a position to give any advice to the commission that I did not ask that question of, and give him a full opportunity to state what he thought about the whole subject. [Continuing reading:]

A. I would like to ask if that letter was written during the S. & S.

Q. I think so; January, 1915; yes. The Wilson & Co. (Inc.) did not take place until some months after that.

Really, it was little over a year after. [Continuing reading:]

A. Well, it is a very unusual thing.

Q. Yes; that was during the S. & S.

And I call attention to this answer. [Continuing reading:]

A. It is a very unusual thing for a large packer to interest themselves in a plant, right next to another one that is established, especially in the country.

Q. Prior to that time had you ever been approached by any of the large packers with a proposition to buy you out?—A. We have not. You say previous to this—previous to that letter, you say?

Q. Yes; have you since that time—A. Why, not directly.

Q. You think you have been indirectly?—A. I think we have had an opportunity, perhaps.

Q. How long ago was that?—A. Last fall.

Q. Did the party who approached you indicate that he might consider the proposition of buying you out?—A. He did.

Q. Who was it?—A. I would rather not answer that question.

Q. Well, it is one of the questions which the commission considers of importance. There have been quite a number of small plants, or plants not so awfully small, either, absorbed during the last year by different large packers, and the commission is making a study of that particular question, and this is directly in line with it. However, if you prefer, you can advise me after you come off the stand, and it will only be used by me, in giving it to the commission.—A. All right.

Now, I turn back to page 1539 for his answer:

It is a very unusual thing for a large packer to interest themselves in a plant right next to another one that is established, especially in the country.

Mr. Hormel enlarged upon that to me that night at the hotel. He came up and had a talk with me at my invitation, and that is when he told me whom the offer was from, and it was a give and take offer that was made by the Wilson Co.—either Wilson & Co. or the S. & S. Co. I have forgotten the date of it as to whether it was before it became Wilson & Co. or not. It was the Wilson Co. that made the offer, I am advised by Mr. Barrett. Mr. Hormel then enlarged on this proposition. He said that a big packer would not go out and establish a plant in the country in a hog area where there was a plant already established under any ordinary conditions, because it would not pay. If there were enough hogs there for one plant but not enough for two plants, it would mean that both plants were bound to make less money, and the big packer is not seeking that kind of an investment, and the only purpose that the big packer could have in doing it would be to eventually absorb the other plant. That was his own theory of it, and he stated to me he feared that was their purpose, and that he did not like to answer my question on the stand because he felt that the big packers could, if they wanted to do it, but him out of business, and he did not want to antagonize them in any way.

Now, subsequent to my leaving the commission, the commission sent an examiner to interview Mr. Hormel for some reason on April 16, 1918. I had left March 31, and the interview is as follows:

Interview with George A. Hormel, president George A. Hormel Co., Austin, Minn., April 16, 1918.

This interview was by C. W. Dudley, an examiner for the Federal Trade Commission, with whom I was not even personally acquainted. He never worked under me that I know of, and I never personally had anything to do with him.

Mr. Hormel is the originator of this business. He began operations in 1892, killing 692 hogs in that year. He showed the examiner pictures of the plant and crew in the early days, which presents quite a contrast to the present. Mr. Hormel has built up a large business. The plant has a capacity of 5,000 hogs a day.

Mr. Hormel seems to realize that the big packers are out to "get him" eventually, but he is not anxious to testify against them. He said that Mr. Heney had him on the stand in St. Paul and that he answered the questions as directly and as briefly as he could, telling no more than was absolutely necessary. He doesn't care to antagonize the big packers for he realizes that he is more or less at their mercy. If they took a determined notion to drive him out they could probably do it in a very short time. He has lived quite a while and he wants to live as long as he can, so he doesn't care to antagonize the powers that be.

Mr. Hormel said that Mr. Heney's hearings in St. Paul brought out one phase of the situation as regards Hormel's business more forcibly than it ever had been brought out before—more forcibly even than Mr. Hormel himself had realized it. Some three years ago Sulzberger & Sons' Co. bought out a little plant 25 miles west of Austin, at Albert Lea, Minn. Mr. Heney read a letter while Mr. Hormel was on the stand which was written by Sulzberger & Sons' Co. to their branch manager in charge of the plant, to the effect that if they could not divert enough hogs from Hormel directly to their plant to cause him difficulties they might establish some buying agencies in the surrounding territory for the purchase of hogs for shipment to Chicago.

[NOTE.—Examination of the letter showed that Mr. Hormel's recollection was not exactly correct. The letter referred to was written by J. Moog of S. & S. Co. to J. A. Hawkinson, Jan. 25, 1916. Both of these men had headquarters in Chicago, and the letter was really a memorandum of report by Mr. Moog on the Minnesota situation. The letter says:

"Unless it is demonstrated by this and next week's prices that we can continue to get the proper volume of hogs in the face of this (Hormel's) competition we will recommend that we place a buyer in strictly Austin territory, having this buyer ship hogs purchased direct to Chicago or some of our other plants."]

Mr. Hormel thought that Mr. Heney introduced this letter while he was on the stand in order to "get him started," but he didn't say any more than was necessary. He answered all questions as directly as possible while on the stand. To the examiner, however, he said that it was evident that Wilson & Co. were not operating the plant at Albert Lea for a legitimate purpose—that is, to make money out of the operation of the plant, because—

1. Wilson & Co. are big packers, and from a money-making standpoint they would not care to spend their time on a "one-horse" plant of a capacity of 500 hogs per day.

2. They are city packers, and are therefore interested in centralization of the packing industry and are not interested in the establishment and operation of the small plants throughout the country districts.

3. If they were interested in getting into the business of the country there are several points in Minnesota where they could get more hogs from surrounding territory than Hormel himself kills without encroaching in any way upon the territory of any packing plant in the vicinity. From a money-making standpoint would they not choose such a location rather than a place where they could get only one-tenth the number of hogs and have to bid against a competitor even for that number?

Mr. Hormel summed up Wilson & Co.'s purposes for operating this plant as follows:

1. To divert hogs from Hormel & Co.. He used the following illustration: Suppose that Hormel & Co. had been getting 4,000 hogs per day and handled them at an average cost of \$1.50 per head. Suppose then that the plant at Albert Lea and Wilson & Co.'s buying agencies are able to divert 1,000 head per day from the Hormel plant. Hormel & Co.'s overhead expenses remain approximately the same for the handling of the 3,000 hogs which they then slaughtered, and their plant expenses are not reduced by 25 per cent by any means. In normal times that extra 1,000 head of hogs could be handled by Hormel & Co. at an additional cost of 50 cents per head. By cutting off that supply of 1,000 head, Wilson & Co. cut off Hormel's cheapest production. They increase the average cost per head and therefore make it harder for him to compete.

2. Wilson & Co. have bid up the market in the territory approximately 5 cents per hundredweight. This amounts to \$340 a day, or \$102,000 a year, to Hormel & Co. To Wilson & Co. in the operation of the Albert Lea plant it amounts to \$50 per day, or \$15,000 per year, or 7½ per cent on \$200,000, the amount which they probably have invested in that plant. To them, therefore, it is just enough to turn the operation of their own plant from a losing to a paying proposition. To Mr. Hormel it is just enough to cause him a little additional worry.

Mr. Hormel said that the operation of this plant at Albert Lea had hurt him considerably. Previous to its establishment Hormel & Co. were able to take care of the hogs in the surrounding territory by operating practically to a full capacity. Now, they have to operate light or to go to St. Paul, Sioux City, or Omaha to buy additional hogs. They have been buying quite a few outside their local territory during the last few years.

And pausing for a moment to interject a remark, it is perfectly obvious that his average cost has been increased by the amount of the freight and the shrinkage; if he bought his hogs at home and did not have to pay that freight and now has to absorb a portion of it, of course, his average cost has increased; and at the hotel he explained to me that he was forced to go from 500 to 1,000 miles away to get hogs enough now, and in many instances absorb one of the freight rates in order to secure them, and that consequently his average cost has increased considerably. [Resuming the reading of the report:]

Mr. Hormel has been hurt, too, by the bidding up of the market, which was fair before. He had to pay all that the hogs were worth to keep them from

going to Chicago. The freight rate on live hogs from a point 150 miles west of Austin to Austin is 18 cents per hundredweight. The rate from the same point to Chicago, at least three or four times the distance, is only 24 cents, so Hormel & Co. had to be very close to the Chicago market to keep the hogs from going there.

Stopping again for a moment to interject a remark, he told me at the hotel that he aimed to pay the seller of the hogs in that vicinity practically the Chicago price; that thereby the owner of the hogs saved the freight and the shrinkage, and the commission, because there was no commission to pay, because there were no stockyards there, and they were delivered directly to the Hormel plant. [Continuing reading:]

Mr. Hormel says he is at the mercy of the big packers in many ways. For instance, they operate the icing stations, and if they cared to, they could be unfair there. He has no specific complaints of that kind however. His traffic manager, Mr. O. W. O'Berg thinks that the packers are better qualified than the railroads to operate these houses and he thinks that they are fair in that game.

Mr. Hormel realizing the situation, is going ahead the best he can under all circumstances, minding his own business and hoping that no determined attack will be made. He knows now that the Government has the evidence and thinks that it should do whatever can be done, but he doesn't know how a company can be stopped from operating a plant if it cares to do so.

Respectfully submitted.

C. W. DUDLEY.

Now, gentlemen of the committee, I merely want to add this, that at the hotel that after at St. Paul I asked Mr. Hormel where he banked. He said he banked with the First National Bank of Chicago, and that he had a credit there, I forget whether he said, of \$250,000 or \$300,000, but that since this offer to buy or sell had been made to him, the bank had notified him he could have \$500,000 credit. I said, "Do you know who controls that bank?" He said, "Why, Mr. Forgan is the man who runs that bank." I said, "Do you know who controls it as to the matter of stockholders?" He said, "No, I do not." "Well," I said, "don't you know that it is known as a Morris bank, and that at the time Edward Morris died he was the largest stockholder in the bank, and that Mr. Thomas E. Wilson was one of the trustees of the Morris estate, and as such trustee probably had to do with the voting of that stock, and that the young Morrises are interested in the bank?" He said he had never heard any of that.

Then he got to this feet, and put his hand to his head and walked up and down and said, "My God, what can a man do?"

Now, gentlemen, I invite a comparison between the statements made by Mr. Hormel under oath and to this examiner, and you may omit, if there is any question of veracity involved here, everything that he said to me, and compare what he said to that examiner; or even leave that out, and compare what he said under oath with what he said here not under oath, and then draw your own inferences.

When you take into consideration the fact that as to witnesses produced at the Borland hearing, independent producers, commission men, and so forth, we discovered from the files of the packers that they had their expenses paid by prorating among the big packers in bringing them there; and that one of the witnesses over here before the Senate committee was asked who was paying his expenses here now, and he said they were being paid by the big packers, you can better understand the situation.

Mr. Armstrong came there, a cattleman, and he said because he read that Mr. Armour favored complete control of the cattle business, and he had come to the conclusion that should be done. After Armstrong had testified, and I had already produced at the hearing a letter—it seems that Mr. Armstrong was the president of a cattle-loan bank at Fort Worth, owned by Armour and Swift, in 1906–1907, and along about that time Mr. Armstrong acquired a newspaper at Fort Worth, control of it, by borrowing the money, \$10,000, from Swift and Armour, \$5,000 furnished by each—

Mr. RAYBURN (interposing). What paper was that?

Mr. HENRY. I do not recall the name of it, but it is in the record in the Senate hearings, in the testimony of Mr. Armstrong. The letter is there also, Mr. Congressman, that I produced, and it was a letter that Armstrong wrote wanting an extension of time, and he said that perhaps he wasn't needed any longer on the paper, "but," he said, "I acquired the interest for the purpose of helping Mr. Swift and Mr. Armour." It was written, as I recall it, to the treasurer of Armour & Co. He said, "I acquired it for the purpose of helping Mr. Swift and Mr. Armour, and I suggest that you compare the editorial columns before and after the taking," and he quoted those words himself, the "before and after taking" in his own letter.

He explained that letter at the hearing by saying that there was an editor on there who was socialistically inclined, that he was a single taxer. I said, "Do you mean by socialistically inclined that he favored regulating big business?" and, gentlemen of the committee, Texas had been regulating big business, and he believed it should continue to do so, I understood. And I continued, "And you favored Texas repealing its laws regulating big business, did you?" That is the substance of it. Then he said, "Yes." "Well," I said, "You now say you favor a complete monopoly but to regulate it." He commenced to smile, and then he said, "Yes; I have reversed my position; I admit that."

He had been a Jeffersonian Democrat, too, I believe, as all Texans are, I believe. I said then, "You converted this editor, did you, so that he adopted your views at that time?" He said, "Yes," but added, "maybe I am taking too much credit to myself, but I think I did." I said, "Well, have you reconverted him to your new views or taken him back to his old ones?" He laughed and said, "No."

And it developed in the course of the hearing that the man was Mr. Ousley, Assistant Secretary of Agriculture over here.

Mr. RAYBURN. I want to interject into the record right here, Mr. Chairman, an observation. Texas has furnished this man, among others, to the present administration, and I want to say that I do not think there is a more honest man in Washington than Mr. Ousley. And as to Mr. Armstrong's statement that he had bought Mr. Ousley's views, I believe it is a lie.

Mr. HENRY. You are giving a construction there, Mr. Congressman, that I do not think is quite proper. What Mr. Armstrong said was that Armour and Swift—

Mr. RAYBURN (interposing). I know Armstrong and I know Ousley; I know both of them.

Mr. HENRY. I took all that Armstrong said with some grains of allowance, and I did not myself think there was anything in his testimony that justified the conclusion that Mr. Ousley is not absolutely

a man of integrity. Mr. Armstrong did not say he had done anything except by argument to modify Mr. Ousley's views, you understand, but of course he put it——

Mr. RAYBURN (interposing). Mr. Heney, your statement there would tend to put Mr. Ousley in a very bad attitude if anybody could give any credence to what Mr. Armstrong said. I know both men, and I want to say that Mr. Ousley is a high-toned man and a man of the highest integrity, and a man whom nobody could improperly influence.

Mr. HENEX. That is true, but I am only stating what Armstrong said to the committee, and what is in the record of the hearings, and Mr. Ousley has requested the Senate committee to permit him to make a statement, which I understand he is going to do to-day.

Mr. RAYBURN. Furthermore I want to say that \$10,000 would not buy a controlling interest in the Fort Worth Record anyway, so far as its stock is concerned.

Mr. HENEX. Do you mean now?

Mr. RAYBURN. Neither now nor then. And furthermore Mr. Ousley has not been connected with the Fort Worth Record for several years.

Mr. HENEX. Well, all I know about the thing was this letter put in evidence and the testimony of Mr. Armstrong himself in regard to it.

Mr. RAYBURN. Mr. Ousley has been here for about two years, and for about three years before that he was at another place, so that it has been six or seven years since he has been connected with the Fort Worth Record at all.

Mr. HENEX. Very well, I was simply telling you what occurred.

Mr. THOMAS CREIGH. Mr. Chairman, if I may interrupt there, I would like to state for Mr. Rayburn's benefit that Mr. Ousley has just testified before the Senate committee, and his testimony was very positive that his views were not changed at all.

Mr. RAYBURN. Certainly, and nobody could change Ousley's views by money.

Mr. HENEX. It is entirely possible that Mr. Armstrong's statement that Mr. Ousley's views were changed is an exaggeration.

Mr. RAYBURN. Well, Mr. Heney, there is a good deal of that going on throughout the country. Men go to legislatures and make statements that are not facts, but make them in order to make their employers believe they are doing something.

Mr. HENEX. I know that. And I think the value of the exposure of the McManus letters lies in this: That it shows Congressmen the danger of permitting these cheeky attorneys for big corporations to come into their offices and talk to them about matters that are pending before them, because you have no idea what they may write back to their principals, and then the letters come out afterwards and do great injustice to you gentlemen.

Mr. RAYBURN. Well, I am not afraid to talk to anybody. I can not subscribe entirely to that view. Do you think that would be wise? You do not know what a man wants to say when he comes to you and puts his credentials before you?

Mr. HENEX. I believe that if there is legislation before Congress, and there are matters about which witnesses are to be heard, it is highly improper for a man to go and have a closet conference with a Congressman, a man representing one of the interests.

Mr. RAYBURN. A man can not have a closet conference with me, I want to say.

Mr. HENRY. Well, I mean by "a closet conference" a conference at your chambers or somewhere else, where a party is undertaking to convince you by the representations that he may make as to what the facts are, and as to what attitude you are to take upon that bill; because if there is going to be a public hearing, and if there are any facts in his possession, he ought to produce them there publicly before the committee.

Mr. RAYBURN. Well, of course, that is true, when you are going to have a public hearing; but I can not tell what a man is going to talk about when he comes into my office.

Mr. HENRY. That is very true; but if a man comes into your office, and there is going to be a public hearing on a matter, and he wants to talk to you about it, you can tell him you will be glad to hear him at the public hearing.

Mr. RAYBURN. Yes; but I do not think a man ought to say he will not hear a man who may come into his office.

Mr. HENRY. Judges are in a similar position. When a judge has a case before him there are attorneys who will go to him and talk to the judge outside of the court if he will listen to them, and a judge who does listen to a man outside of court, I think, is violating his duty.

Mr. RAYBURN. But a legislator can not be put in the same position as a judge. A judge does not pass upon questions of policy.

Mr. HENRY. No; that is true, but he does pass upon questions of fact. A man could come to you and tell you some things about a witness who was to appear—things that are not competent evidence and that may be absolutely false, but would tend to prejudice your mind against that witness.

One member of this committee attempted on yesterday, by one of his questions, to make out a plain case of veracity between Mr. Levy Mayer and myself. He evidently thinks that the Federal Trade Commission's conduct of this investigation was unfair; and it is perfectly obvious to my mind that he entertains a strong prejudice against me, which would lead him to accept Levy Mayer's statement against me without any question. Now, if he does, it is based upon some false statements that he has read in the newspapers, or that have been told to him, because that gentleman never met me in his life, and never talked to me; and I want to say that there is not a single thing in his mind that I can not answer if I have the opportunity to do it.

Mr. DEWALT. Right there, you are referring to me.

Mr. HENRY. Yes, sir; I am.

Mr. DEWALT. The reason I asked you that question was this: There is a very strong idea in my mind that a question of veracity between you and Mr. Mayer is very well defined. As I have been reading the testimony—though I might be mistaken about it, and if I am, no doubt, you will correct me—the allegation was made that Mr. Mayer had attempted to induce you to let up upon this investigation by saying you could get more business, or that he could place more business in your hands, and that would pay you better, than for you to continue these investigations, or something of that sort. That

was published in the newspapers and in the record of the investigation. Now, Mr. Mayer has flatly denied that, as I understand it; you assert it and he denies it. Now, I can not get beyond the thought that there has been raised a question of veracity between you and Mr. Mayer if that is so.

Mr. HENEY. Now, Mr. Congressman, be perfectly frank with me and say that you had your mind made up in advance that Mr. Mayer is telling the truth and that I am not.

Mr. DEWALT. No; you are wrong about that. I think my reputation upon this committee is such that I may safely say I do not make up my mind until I hear the evidence. But this is the idea, that when there is a question between two reputable attorneys—which I believe you and Mr. Mayer to be—and when there is a flat contradiction between the two of you on the question, then I question the testimony of either one, and want further proof upon the subject. That is why I doubt your assertion in reference to some matters you have made here.

Mr. HENEY. Now, then, I see perfectly clearly where you stand. You doubt my assertion?

Mr. DEWALT. I do.

Mr. HENEY. I thought you were prejudiced against me as a witness. You are prejudiced against me on the newspaper reports. Now, you did not read the Senate hearings? Be frank about it.

Mr. DEWALT. No; I did not.

Mr. HENEY. So, on the mere reading of a newspaper report—and your experience certainly has taught you that a newspaper report is not a safe thing to form a judgment upon—you have formed a judgment in your mind on this matter, a prejudice so far beyond any prejudice I ever had during the entire course of my investigation of the meat-packing business, that it puts you in the class that the packers have been trying to put me in in regard to the matter.

Mr. DEWALT. Mr. Heney, that is a mere assertion upon your part and without any proof at all, and is without foundation.

Mr. HENEY. I am only stating it on your admission that you did not believe me, and that you based it upon a newspaper report.

Mr. DEWALT. No; you are mistaken about that. That is another assertion. I did not say I did not believe you, but that you and Mr. Mayer, both of you apparently being reputable attorneys, which I grant, having an issue of that kind between you, in which you affirm one thing and he affirms another, then I regard the testimony of both of you with considerable doubt as to that matter, and other matters as well, and—

Mr. HENEY (interposing). Exactly.

Mr. DEWALT (continuing). Wait a moment. In other words the situation is this: If there is a witness upon the stand in a vital matter, and he testifies, and another quite reputable witness immediately thereafter, or subsequently during the trial of the case, flatly denies the assertion of that other witness, then I say to myself, which one of these witnesses shall I believe? If they are both equally reputable, and have a reputation for telling the truth, and have no interest in the matter except that of their position in life, then I say I regard the testimony of each of these individuals with doubt, and want fur-

ther proof. Now, Mr. Heney, that is exactly my position in this matter.

Mr. HENEX. And you followed that up by saying you doubted some other assertions I made here because you had read some newspaper articles, and certainly you did not hear either one of us testify. We judge a witness when we see him and hear him testify. You can not judge accurately any other way. Of course you can not judge by a newspaper article, that does not pretend to give the exact testimony.

Mr. DEWALT. Let me ask you a fair question: Did you assert, substantially, what was published in the newspapers, to wit, that Mr. Mayer had either positively or inferentially offered to you employment in a business way or said that he would throw business into your hands, for the purpose of inducing you to let up upon this investigation.

Mr. HENEX. That is not what I said.

Mr. DEWALT. What is your answer?

Mr. HENEX. That is not what I said.

Mr. DEWALT. What did you say?

Mr. HENEX. What is your purpose in asking that question, Mr. Congressman?

Mr. DEWALT. I want to know whether the issue was made up or not.

Mr. HENEX. Do you mean that you want the issue made up here?

Mr. DEWALT. You know perfectly well what I mean, Mr. Heney.

Mr. HENEX. No; I do not know what you mean.

Mr. DEWALT. Then let me explain it again: I asked you whether you had in substance asserted that thing?

Mr. HENEX. I will tell you, Mr. Congressman——

Mr. DEWALT (interposing). That is a very plain question, and it seems to me you can answer it.

Mr. HENEX. You ask me to make you a very plain answer?

Mr. DEWALT. That is just what I want.

Mr. HENEX. I have to go home to-night and do not want to inject any outside issues in here. I can answer you, and I can come back here, and I will come back here any time, and take up that issue, or any other issue and answer any questions you may want to ask.

Mr. DEWALT. But that does not answer my question.

Mr. HENEX. That is the only answer I feel like giving at this time.

Mr. DEWALT. All right, let it stand that way if you are satisfied. But is it true that Mr. Mayer flatly denied that assertion or insinuation made by you?

Mr. HENEX. You say you know; what is the use of my telling you.

Mr. DEWALT. Then, you want it to stand in that way, do you?

Mr. HENEX. Yes, sir; that is the way I want it. But understand, I can tell you the reason why.

Mr. SANDERS. Hasn't that been threshed out before the Senate committee?

Mr. HENEX. Yes, sir.

Mr. SWEET. Mr. Chairman, this whole matter is irrelevant to any matter before the committee at the present time.

Mr. DEWALT. I agree with you fully, but Mr. Heney injected it in here.

Mr. BARKLEY. This was not a question of veracity on yesterday, as I understand it. As I recall, Mr. Dewalt was asking Mr. Heney something about having held public hearings.

The CHAIRMAN. I would like to state that before all of the members of the committee that are now present came in, Mr. Esch made a request that Mr. Heney be permitted to proceed with his statement for an hour or so and, until Mr. Heney indicated that he was through with his direct general statement—that is, that he had brought before the committee all of the matters he desired to bring before the committee—I stated that that was perfectly satisfactory to me, and then Mr. Esch suggested that as to members coming in, who did not hear that understanding, that I should notify them. Now, gentlemen of the committee, of course, this matter came up in an incidental way as to the questions and statements of Mr. Rayburn and Mr. Dewalt.

Mr. RAYBURN. I did not want to bring up anything, but I did want to make a statement that I thought ought to be made in justice to Mr. Ousley.

Mr. DEWALT. I want to say that I have no apologies whatever to make for what I said—none whatever—and I insist upon my right as a member of this committee that when a witness openly charges me with being unfair in the investigation of any matter I have the right to resent it, and I do resent it; and I think the members of the committee will say that I have a perfect right—which is my judgment, at least—that when a witness states, as this witness did, that I was unfair and prejudiced against him, to explain my situation and let it be put before him. This witness has categorically refused to answer my questions and explain the situation; and, if he is satisfied, I will let the matter stand there. The record may stand just as it is.

The CHAIRMAN. I thought it proper, notwithstanding the agreement heretofore had, in view of what had been said, that Mr. Rayburn should say what he stated; and I thought it equally fair that Mr. Dewalt should make the statement he made.

Now that those matters are closed, let us proceed.

Mr. DEWALT. Let me make an observation: The question in my mind always is, Do I do what I think is proper, not what other people may think is proper? If I am conscientious in my motives and do what I think is right, then it absolves me, so far as I am concerned, from any imputation of being unfair.

The CHAIRMAN. Oh, Mr. Dewalt, there is no question about that. I was only reminding the members of the committee, in an effort to get back to business, of the agreement that we had had; and you were not present when it was made, as I understand.

Now, Mr. Heney, I will ask that you proceed with your testimony in the order in which you want to present it, and, if possible, please avoid bringing in any collateral matters that are not directly relevant to the hearings this committee is holding.

Mr. HAMILTON. As a point of information, has Mr. Heney stated how long it would take him to conclude?

The CHAIRMAN. As I understand, Mr. Esch suggested that he be given an hour, but of course more than an hour has elapsed up to this time; but a good deal of Mr. Heney's time has been taken up with collateral matters.

Mr. ESCH. I suggested that he be allowed to continue uninterrupted for one hour. I did not invoke the rule when Mr. Rayburn interrogated Mr. Heney, nor did I invoke it when Judge Dewalt interrogated him, because I thought the subject matter at the time was of such a personal character that they had the right to inject their interrogatories.

Mr. DEWALT. I want to say another thing: That this witness has stated before this committee that he is a very positive and aggressive individual. I desire to state that although I am not aggressive, I am quite as positive as he is in any matter that relates to my personal integrity or honor.

Mr. STEPHENS. It is quite unfortunate that this matter should have come up, but now let us close it and proceed with the hearings.

The CHAIRMAN. Mr. Heney, you may proceed.

Mr. HENY. The next subject matter to which I desire to call the attention of the committee is the situation at Denver, Colo. It seems to me that we have been able to get a clearer insight as to how the packers manipulated the different markets and gradually got control of them at Denver than at any other point. Denver was the natural cattle-shipping center for that great section, and it was practically the last of the centers that the big packers went into and got control of. They built their own plant at Fort Worth, but in Denver the stockyards existed, and the big packers went in there and drove out the small fellows.

The situation is fresh enough yet, and there are enough men who were driven out who are still there ready to tell about how it happened, that it gives to us a very clear view of how it was done in each of the other places.

Now, gentlemen of the committee, I will read a statement made by Mr. Frank Aicher, president of the Standard Meat & Live Stock Co., of Denver. But, before doing that, I want to read a general report made by Mr. E. S. Haines, an examiner for the Federal Trade Commission who went to Denver. He made an investigation and reported to the Federal Trade Commission, and then when we held our public hearings at Omaha, I caused a number of these men to be subpoenaed to Omaha to testify, including Mr. Blakeley, who was the president of the Live Stock Exchange at Denver, and one or two other commission men, and a number of men who had been in the packing business. They testified at length at the Omaha hearing, and it appears in volume 2 of the Federal Trade Commission hearings, of March 21-23, 1918. No; I see that these hearings were held at Kansas City, Mo. I was thinking they were held at Omaha, but it was at Kansas City that they testified.

I believe I will read first this report by E. S. Haines of an interview with Mr. Frank Aicher, president of the Standard Meat & Live Stock Co., of Denver:

Mr. Aicher is one of the best-known and most highly respected meat dealers in Denver, having been actively engaged in buying and slaughtering live stock and selling meat at wholesale for over 30 years. Several men have spoken of Mr. Aicher as a very honest and reliable source of information. I called on Mr. Aicher October 10, 1917, at a little office he is now maintaining at 1536 Warr Street, where he is gradually closing out his business.

After having been in retail meat business for several years, Mr. Aicher in 1896 organized the Standard Meat & Live Stock Co. and built a packing plant on the east side of the city. Mr. Aicher said that his plant had been improved

from time to time until to-day it represents an investment of \$40,000. This plant, which Mr. Alcher says is modern in every way, is practically idle to-day. He is using it now only for the slaughtering of about 250 sheep a week, having discontinued, in March, the slaughtering of cattle and hogs. Mr. Alcher states that he is trying to dispose of the plant and is simply killing sheep there for a few months in order to keep a part of the plant running. In this way he believes he will find it easier to make a sale. However, he said that he did not expect to sell the property for more than \$10,000.

Mr. Alcher said that for over 15 years the operations of the Standard Meat & Live Stock Co. were larger than any other plant in the city, excepting that of the Colorado Packing Co. (now Armour's). He said that until about 10 years ago, when Swift and Armour began operations in Denver, he slaughtered about 45,000 sheep and about 16,000 cattle a year. Mr. Alcher states that up to within a few years ago his business was large and prosperous; that by hard work he succeeded in building up large packing-house operations and in conducting a successful branch-house business in the wholesale-meat section of the city. Mr. Alcher claims that the unfair practices of the larger packers have been the cause of the decline of his business and have been the means of practically driving him out of the meat business in the city.

Mr. Frank Alcher states that he has been compelled to discontinue business because he has been unable to compete with the large packers in buying live stock in the stockyards. He claims that the commission men so favor the large packer buyers that for the past several years it has been practically impossible for him to compete with the packer buyers. He said, "In the old days, before the big packers came into the yards, we had a better class of commission men. They were independent and fair. Then everybody had a chance. But when Swift and Armour came in and got control of the yards, they brought in a lot of new commission men, whom they seemed to control. These men have always given the larger buyer first chance at everything. We have to beg for a chance to look at a load of cattle and pay more than the big packers. I have known of the packer buyers stepping in and buying stuff they did not need for their local slaughtering and ship this stuff on to the 'river markets.' This is the reason why I had to quit all beef business. I simply couldn't buy cattle and compete with this sort of thing in the yards. I didn't have an even chance to buy with the big packers. They have made the commission men subservient to them."

Mr. HENEX. Mr. Blakeley, president of the commission men's organization in Denver, corroborates that in his testimony under oath at the hearing.

Mr. Alcher said that he kept up this fight in the yards for several years, but decided last March that he had better give up. Accordingly he sold his wholesale branch-house operations at 1536 Wazee Street to two men, who organized the Kansas City Packing Co. Mr. Alcher claims that these men are operating the place now as a branch house of Morris & Co.

Mr. Alcher relates the following stories of the methods of the big packers employed to eliminate him as a packer in the meat business of Denver:

"Swift & Co. was the first to antagonize everybody here in Denver. About 15 years ago they began selling dressed beef out of cars they had shipped in from the East. About 15 years ago Swift sold dressed beef out of cars at 3 cents a pound, when at that time it was costing us 7 and 8 cents slaughtered. Swift's agents declared they would get into business in Denver in a large way. We had good, steady trade, which was satisfied with our operations, and I think the people were well satisfied with the general meat business as it was conducted at that time and did not welcome Swift's coming in. He brought in several carloads, during which time we had to lay idle. That lasted about six weeks. This gave them a start, and a little later they opened up a wholesale market. Then a few years later Swift bought out the Western Packing Co., and before he entered the packing business here he sold a lot of meat to the various wholesale dealers here. He contracted with us to sell us 200,000 pounds of hams and bacons at a fixed price. We sold these at a profit of one-half cent a pound. Swift immediately came in after he had made this contract with us and sold the very same products at from one-half to three-fourths cent a pound less than the price we paid. His agents here then told our customers that we were holding them up. I never bought any meat of them after that. Their salesman came in, and when I said that on account of the way they had used me I cut the price on the same products they sold me I would not buy

any more meat of Swift & Co.; the agent then said to me, 'By God, we'll make you buy.' Their business has been done in this way every since, with a view to crushing out the little man.

"I remember very well that the packers took turns selling here below cost. First one and then another until they got us. Then they came in and bought packing plants here. This was where the packers crowded us worst: They used to ship in dressed meat and sell it below cost. They would stoop to any practice to carry their point.

"When in about 1906 or 1907, I think it was, Swift bought out the Western Packing Co. they soon became larger than my plant. After a little while I was probably third in size. About this same time Armour bought out the Colorado Packing Co. Their business grew rapidly, and we began to go down and our business has been decreasing ever since.

"In 1885, the year before I started the Standard Meat & Live Stock Co., I was in the retail business in partnership with a Mr. Chamberlain. The firm was known as Chamberlain & Aicher. We had much of the best trade of the city, and at a certain season of the year we were unable to secure the right kind of live stock for our trade. A. W. Waters was then Armour's agent, and he was a friend of mine. The class of meat Armour shipped in was too rough for my trade. My partner went to Kansas City and bought dressed meat from Jacob Dold & Son. He bought a good grade of cattle. We enjoyed a good trade while disposing of that grade of beef. Armour's agent called on me and told me that unless we bought Mr. Armour's meat and quit buying of Jacob Dold they would not let us do any more business in Denver. Mr. Waters said those were instructions from Mr. Armour. I told him to tell the old man to go to hell. We kept on ordering meat until we had one carload in our refrigerator, one in transit, and one load in Kansas City—about 135 beef carcasses in all. But the weather was pretty warm and our refrigerator capacity very small. It was essential that our beef be moved at the same rate as we were going, but Armour's agent at once started to sell beef at 2 cents a pound below our price, which was 2 cents below what he had asked up to that time. This compelled us to sell the rest of this beef we were getting from Kansas City at a loss in order to keep it from spoiling on our hands.

"Immediately after we had disposed of these three carloads Mr. Waters called on me and said, 'Now, if you will buy meat from Armour's we will furnish you the dressed beef at a price that will allow you one-half cent margin. We had to buy of them or quit. They at once raised their price 2½ to the public. They then had a branch house and shipped meat in carload lots.

"E. S. HAINES."

Now, gentlemen of the committee, I will not take up the time of the committee to read any more of the testimony of the small packers; but in this record I have referred to you will find two or three or four of them who testified, and testified quite fully, in regard to this same matter, corroborating absolutely the statements made by Mr. Aicher, and telling of other instances that happened to them.

Now, I want to call attention to the testimony of Mr. Blakley, who was president of the Denver Live Stock Exchange at the time he testified in Kansas City, which testimony was given on March 23, 1918:

A. A. Blakley, called as a witness in behalf of the commission, being first duly sworn, testified as follows:

By Mr. HENRY:

- Q. State your name.—A. A. A. Blakley.
 Q. Mr. Blakley, where do you reside?—A. In Denver, Colo.
 Q. What is your business?—A. Live-stock commission business.
 Q. How long have you been in that business?—A. About seven years.
 Q. What business were you in prior to that?—A. I worked for the stockyards company eight years previous to that.
 Q. At Denver?—A. Yes; at Denver.
 Q. And in what capacity were you?
 Q. Is there an exchange—do you?
 A. Yes; they have.

is a weighmaster.
exchange in Den-

Q. What is the name of the organization?—A. The Denver Live Stock Exchange.

Q. What are the conditions of admission to the exchange, generally speaking?—A. Why, the conditions are that a person applying for membership is supposed to have enough business interest in the live-stock business at the yards and to be of good moral character.

Q. Is there an admission fee?—A. There is.

Q. How much?—A. There is a membership in the exchange now—to make an application to the exchange for a membership costs \$2,500. They are allowed to buy those from any member that has one for sale at \$2,000.

Q. About how many members have you?—A. 134.

Q. Do you occupy any position in the exchange?—A. I am president of the exchange.

Q. When were you elected president?—A. Last September, I believe, was our election.

Q. Were you an official of any kind with the exchange at any time prior to that?—A. I believe I have been a director of the exchange—well, I was its second president when it was organized; the second year I was elected president. After that, I believe, I was a director every year excepting one when, through a political appointment, I was president of the fire and police board of the city of Denver and I resigned for one year, but was reelected immediately on coming back to the yards as a director.

Q. When was the exchange organized?—A. I believe about 10 years ago. I am not positive about that.

Q. Will you describe in a general way, Mr. Blakley, what classes of operators there are on the stockyards there, and what function each class performs, in a general way?—A. Well, there is the commission men, who have live stock assigned to them to sell for their patrons from the surrounding country. There are the traders and their business is to buy up stock, group it together, classify it, and resell it, going to the country to be fattened as feeders or as stockers to go in the pasture. And there is, of course, the packer buyers, consisting now of Armour & Co., which is run under the name of the Colorado Packing & Provision Co.; there is Swift & Co. Do you wish me to repeat the names of the small buyers?

Q. Yes; if there are any other buyers.—A. There is the Burkhart Packing Co., and the Sargent Meat Co., the Colorado Beef Co., and the Capitol Meat Co. And there was a Standard; I do not believe they do any buying now.

Q. These small ones that you have mentioned—that is, these outside of Armour and Swift that you have mentioned—are they all small ones?—A. They are all small buyers.

Q. Are any of them located at the yards, their plants?—A. No; they have no plants. They have their killing done at an independent, that is, a custom killing plant, the Denver Packing Co.

Q. And the Denver Packing Co.—who controls that now?—A. I believe that Mr. Fred Klink and W. W. Blaney control it.

Q. Blaney is a representative of Cudahy & Co., is he not?—A. I have heard so repeatedly.

Q. Is Denver primarily a market for finished cattle?—A. It is, in a limited way. There are times in the year that Denver can not consume the finished cattle that comes on the market.

Q. Is the bulk of the business at those yards feeder and stocker cattle?—A. I should think it was; yes, sir.

Q. And the stock cattle, is there much of it that is bought here and re-shipped to other points, like Omaha, Kansas City, and St. Joseph?—A. A great deal of it is shipped through to the river, but quite a good percentage of it goes into Kansas, Nebraska, and Iowa, especially in the fall of the year.

Q. That is, it is bought at Denver?—A. Yes; bought at Denver.

Q. For feeders who want it in the three States you have mentioned?—A. Yes; and for Colorado. The local demand is quite heavy there.

Q. Is the competition at Denver lively or otherwise for feeders?—A. I should say it is lively.

Q. Is the competition lively or otherwise for finished cattle?—A. There is some competition on finished cattle, by speculators or traders, I should say, that ship to the river. They sometimes, not very frequently, buy these finished cattle and ship to one of the three markets, either St. Joe, Omaha, or Kansas City.

Q. Do they hold back and only buy when the prices are sufficiently low at Denver to indicate that the prices at the Kansas City and river markets will allow a fair profit?—A. I think they do.

Q. So, it is only when there is a fairly good run of cattle in the Denver yards that the traders buy any of the finished cattle, is it?—A. Well, now, at times the speculator, as they say in stockyards talk, "makes the packers step some." There are times when the river market is especially good, and there are times when the speculators lay off.

Q. You mean when the river markets are steady and high and the two big packers that are at Denver have to pay somewhere near the value of the finished cattle in order to get them?—A. Yes.

Q. Otherwise the traders will buy them and ship to the river?—A. Yes.

Q. Outside of the competition caused by that fact, is there much competition on the finished cattle?—A. No, sir.

Q. After Armour and Swift got control of the yards and the Denver market—they did get control of the yards and the Denver market?—A. Yes.

Q. After that, were there any new commission firms that came in there?—A. Yes, sir.

Q. What were they?—A. Do you want me to mention their names?

Q. Yes, if you will.—A. J. Drinkard & Co., Great Western Commission Co., W. A. Snider & Co., and there were some commission men came from the river there—Cox, Jones & Co., and Mr. Kemper, from one of the river markets, bought the Denver Live Stock Commission Co. And of course there have been several other little commission companies started, I believe, since.

Q. Those new men do a pretty good-sized business, do they?—A. Yes.

Q. They do get a share of the business, do they?—A. Yes, sir.

Q. Has there been any friction between the commission men and the stockyards company in regard to conditions at the yards?—A. Yes; quite frequently there is. There has been complaints, of course, from the commission companies about the way the yards were conducted, especially during the time of the busy season, when the yards were congested. That was previous to last year. Last year they improved the yards and had better facilities for handling and the congestion was not so great, and the complaints were not so heavy.

Q. Have you noticed in regard to hog buying? Have you ever noticed the buyers of Armour and Swift taking turns at laying off, while the other bought?—A. Yes, sir.

Q. That is a matter that occurs pretty often, is it?—A. It occurs occasionally not every day, but occasionally.

Q. What effect does that have on the prices, or seem to have?—A. Well, my observation is this; that both buyers usually come together, one buyer will take one alley and the other another one and price a certain commission man's stuff, and if they can not agree on prices he will go back and set down on the fence; and the other buyer will go along and trade maybe half an hour or an hour, and he will buy probably a string of hogs, and when he gets through with the commission man he is trading with, of course, the other commission men grab him and try to sell him their hogs, and he will say, "I am through; I have bought all I can buy to-day; my order is filled." And they have naturally got to go back to the man setting on the fence and try to get him to buy their hogs. He has made them an offer, though.

Q. And by that time they are willing to accept it?—A. They very seldom ever get a raise from the first bid.

Mr. HENRY. Gentlemen of the committee, Mr. Armour admitted over before the Senate committee that when he and Swift & Co. went into Denver, that he went in with the understanding that he was going to get half of the receipts, going to take half of the receipts, and that if Mr. Swift undertook to take more than half of the receipts he, Armour, would aggressively fight him. And that he was satisfied Mr. Swift had the same understanding as to what he, Armour, was going to do; and Armour said that he had the same understanding as to what Swift was going to do. And that with that understanding they have gone along and taken half of the receipts, and haven't had any fight over it.

Now, here is an illustration of how they did it:

Q. Did you have your attention called to a letter which I read into the record at one of our public hearings, which was a letter from a nephew of Phil Armour, or a nephew of J. Ogden Armour, from Denver, in which he said he and Tom had just come up there from Fort Worth, and their plant there was in bad condition, and that the best part of it was worse than the worst part of any other of their other plants, and it ought to be fixed up, and then said in substance—I think this is almost the exact language, “Of course, you know the basis of division here is 50-50?”—A. I remember that letter being read into the record.

Q. “And it is difficult for us to keep up our proposition on account of the character of our plant?”—A. Yes.

Q. And then did you have your attention called to the records we read into the record showing the total number of cattle purchased in Denver during the year, and they came within 204 head of being the same for both companies in 1917, out of something over 300,000 head?—A. I do not remember that being read into the record or seeing it in the newspapers, but I have in my pocket a record of the purchases of each one of them, but whether this is correct or not I can not say, because I obtained it from the stockyards company through our secretary of the exchange.

Q. What does that show?—A. Shall I read it to you?

Q. I will take a look at it [reading]:

Live stock killed by packers, 1917.

	Cattle.	Calves.	Hogs.	Sheep.
Swift & Co.....	45,927	8,930	138,031	41,064
Colorado Packing & Provision Co.....	41,938	3,124	118,071	19,821
Coffin Packing & Provision Co.....	15,365	1,515	25,623	8,029
Total.....	103,230	8,569	281,725	63,914
Others for 1917.....	15,139	3,659	44,769	31,465
Total killed 1917.....	118,369	12,228	326,494	95,379
Denver Packing & Provision Co.....	7,625	4,951	20,000	627

Q. Whom do you understand the Coffin Packing & Provision Co. is controlled by?—A. Cudahy.

Q. Which runs the nearest to river prices—sheep, hogs, calves, or cattle—in Denver? Have you ever noticed that?—A. I should judge that hogs run nearer in price. They try to keep the price of hogs—well, it is rather in between the Omaha and the St. Joe markets.

Q. This shown that Armour sold 20,000 behind Swift & Co. out of a total of 256,000 hogs?—A. That may be accounted for by them not having their new plant in running order. They built a new plant, and the plant was probably in the condition young Armour wrote to his uncle at the time, but they completed the new plant and now they are killing about equally. Their buying is about equal now.

Q. Did you notice that for 1916, Fort Worth, where Armour and Swift are the only two plants, that out of several hundred thousand head of cattle they came within four of each other in their purchases for the year?—A. Yes, sir.

Q. This statement you have produced here shows only the live stock killed by each one. Now, each one of them buy and ship some to other markets?—A. Yes; I think there is a great many that have been bought there. Armour, I believe, ships more than Swift does in cattle.

Q. So the difference between what Armour ships and what Swift ships may make this run closer together?—A. Yes, sir.

Q. Have you had any experience—do you recall any specific instances where you have sold to one of the small fellows and had any difficulty afterwards in selling to the big packers' buyers?—A. Yes, sir.

Q. Would you mind telling it?—A. That happens occasionally, you know. When we have a few choice hogs I make a practice that the man that is at the gate, to take him in. It don't matter who it is that wants to buy from me, he goes in. No one has any promise from me; others might. In a certain instance a small packer, and I don't mind mentioning names—the Sargent Meat Co.—Mr. Sargent, of the Sargent Meat Co., he bought my string of hogs, all of them, that

day, every hog I had, and it was a good string. And Mr. Sargent does not buy every day, by the way. The next morning I had a fairly good run of hogs and the buyers came down the alley, the packer buyers, and they did not look at me. I said, "Will you look at my hogs?" And they said, "Sell them to Sargent."

Q. Whose buyer was that?—A. Swift & Co.'s buyer. Well, in a few minutes Mr. Bartlett, the man that handles the pork products of Swift's and comes over to the yards occasionally, maybe once a week, and what he comes for I don't know—well, he came over and he was the first Swift official I had seen. I said, "Do you maintain a hog buyer on this market?" And he said, "Yes." I said, "I asked your buyer to look at my hogs this morning, and he said, 'Sell them to Sargent.'" He went on down the alley and in about five minutes' time Swift's buyer came up and said, "Where are your hogs? I want to look at them." And I took him in and sold him the hogs.

Q. Don't you think that if all of the commission men had the backbone to stand up and do the same thing, and none of them play favorites with the big packers, the commission men would be big enough and strong enough to make them give them a square deal?—A. Yes, sir; I do.

Q. All it takes is a little red blood?—A. It is because I am not a big man and haven't got a big business that I do this. Probably if I was as big as some of the other fellows, had so much money I was afraid to say my soul was my own, maybe I would be that way; but I haven't got much money and nexer expect to have. I am going to try to do the fair thing while I am here.

Q. You haven't got enough to be afraid of losing it?—A. No, sir. It wouldn't hurt me much if I lost it all.

Mr. HENRY. At this point I want to read into the record an interview or part of a report made by Examiner Haines to Federal Trade Commission in connection with his investigation in October, 1917. It is probably the first time you have heard it, Mr. Blakley. In fact, I know it is:

Mr. Blakley is president of the Denver Live Stock Exchange and is vice president of the National Live Stock Exchange. I consider him not only one of the best-informed men on live-stock marketing conditions and general competitive conditions but one of the most reliable and fearless informants I have found here. His associates everywhere speak of him as being thoroughly honest. Several independent packers look to Mr. Blakley as their only friend among the commission men. I had several smaller packers tell me that Mr. Blakley was their only hope. Mr. Blakley has given me some valuable information on different subjects, however, here. I will only quote his remarks with regard to traders and commission men.

Now, Mr. Haines, this is based upon what others said to you, rather than what Mr. Blakley said to you?

Examiner HAINES. Certainly.

Q. Mr. Blakley, what becomes of the dead animals at the Denver yards?—

A. The Union Rendering Co. takes charge of those.

Q. And who controls the Union Rendering Co.?—A. Swift & Co.

Q. And how are the prices fixed that are made by the Union Rendering Co.?—

A. Swift fixes the prices.

Q. And can you sell to anybody else if you want to?—A. We have never tried it.

Q. There isn't anybody else to buy, is there?—A. There isn't anybody else to buy.

Q. Has the Union Rendering Co. swallowed up any small fellows since you have been there? Were there any other small rendering plants?—A. I think there was a small rendering plant below the stockyards there, I believe, run by some fellow by the name of Potts & Co., but I am not positive what the name was. But it closed up, anyway. Before the packers acquired the stockyards there there was a man by the name of Tom Johnson took care of the dead animals from the stockyards, and they bought him out.

Q. Now, what price do they pay for animals?—A. Well, I think up to about a year ago they paid a dollar a hog. It didn't matter whether they weighed a hundred or five hundred. They didn't pay anything at all for cattle; not even their hides. For horses they didn't pay anything. But after I got back from

the meeting of the National Exchange in Kentucky I found out down there that at some of these eastern markets they had been getting more for their dead animals, and we got them to change their prices, so that we now get the magnificent sum of \$1.50 a hundred for the hogs, weighed up by the Union Rendering Co. and a check returned to us for the amount; and on cattle I think it is \$5 we get.

Q. Just five straight?—A. Yes, sir; \$5.

Q. The hide is worth more than that, isn't it, in most instances?—A. Yes, sir; in most instances; unless you have them for sale.

Q. You mean by that there is difficulty in selling hides up there, do you?—A. They tell me there is no market for them. I am not selling hides, except on the live animals.

Q. Mr. Haines's report summarizes from the records of the Union Rendering Co. some of the purchases made by them of dead animals handled from January 1 to September 30, 1917. He got these figures in October?—A. Yes, sir.

Q. These figures represent the number of the different dead animals taken from the stockyards, hide weights, and amount, paid to shippers, as follows:

"Calves, 57; weight, 11,917; hide weight, 908; amount paid, \$65 for the 57 calves. Hogs, 399; weight, 68,618; amount paid, \$613.14."

That is considerably less than \$2 a head?—A. Yes, sir.

Q. "Sheep, 947; weight, 58,126; amount paid, \$641.80," which is less, of course, than than a dollar a head. What are the pelts worth?—A. I couldn't say. I don't know.

Q. "Cattle, 650; weight, 633,576; hide weight, 16,488; total amount paid for the 650 cattle, \$1,345.80," which would be about \$2 a head?—A. Yes, sir.

Q. I suppose those hides would average \$10 apiece, wouldn't they?—A. Well, yes; they would when they were paying 18 cents for them.

Q. And they were during that time—January to September of 1917?—A. Yes, sir. They are paying 6, 8, and 9 now for bulls, cows, and steers.

Mr. HENRY. I want to read into the record in connection with this testimony a letter taken from the files of Armour & Co., Leavitt's files. Leavitt is the head buyer at Chicago. It is on the letter-head of the stockyards company at Denver, Colo., dated October 9, 1916:

STOCK YARDS, Denver, Colo., October 9, 1916.

Mr. JAMES BROWN,

Care of Armour & Co.,

Union Stock Yards, Chicago, Ill.

DEAR SIR: Receipts of cattle to-day about 4,000; mostly feeders and cows; market was fully steady; speculators good buyers on all kinds.

We have not attempted to ship any cattle, as we have followed the shipments very closely and find that they have been selling for less on the river markets in most cases, and they have all showed considerable loss, figuring freight, shrink, and expenses. If it any time they had shown like we could have had a margin in them would have notified you. We have bought several bunches that we have killed for freezers, that look well in line with Omaha. That is the market we generally have to go by. If we should happen to have a day and think we could buy them with a margin to the river we will fire you, but the speculators have been so aggressive that it was impossible for us to buy any in line.

We are killing freezers here whenever we can buy them in line with the river, but we are handicapped on our kill at the present time and would like to know if it would be all right to ship some should we find a day we thought there was a margin in them, but as long as the speculators are so aggressive do not think we would be able to ship very many.

Yours, truly,

J. W. AJB.

(Signed)

J. WALLWORK.

Q. Who is J. Wallwork?

A. He is Armour's buyer.

Q. At Denver?

A. At Denver; yes, sir.

2116 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Mr. HENRY. And as showing that Denver is not alone, I just opened this telegram:

OKLAHOMA CITY, OKLA., March 23, 1918.

FRANCIS J. HENRY

(Care Federal Building, if gone forward Kansas City, Mo.).

Can furnish positive evidence discrimination against traders on this market by packers' buyers. Can you assist us? Will furnish detailed information by letter if desired. Answer.

J. S. MARSH,

Secretary Traders' Exchange.

Mr. HENRY. Mr. Evans, see that a telegram is sent answering this telegram to send the information to me at Washington, D. C., care of the Federal Trade Commission, and we will see what we can do.

Q. What do you know about the price of feeders?—A. Well, of my own knowledge I couldn't give you any accurate information. This letter was handed to me by Mr. J. D. McKee, and he says: "This is a correct account of feeding 100 head of steers." He says, "It might be of some value to you when you reach Kansas City."

Q. Who is Mr. McKee?—A. Mr. McKee is a salesman for the American Commission Co. in Denver, but is feeding cattle on his own account besides that. The American Commission Co. is not concerned with his feeding operations.

Q. Do you know him to be a reliable man?—A. Absolutely.

Mr. HENRY. We will read this into the record then:

Cost of 101 steers, \$9,384.38; weight, 96,720 pounds; 46 steers purchased November 10, 1917; 53 steers purchased October 29, 1917. Net returns, 100 steers, \$13,641.40; weight, 115,460 pounds; 47 steers sold February 25, 1918; 8 steers sold March 12, 1918; 45 steers sold March 20, 1918.

Average cost per head.....	\$92.71
Plus 1 per cent for one steer lost.....	.93
	<hr/> 93.64
Average net returns per head.....	136.41
	<hr/>
Average days fed.....	115
Average gain in weight.....pounds.....	17
Average gain.....	\$4.77

COST PER HEAD TO FEED 135 DAYS.

Hay (1 ton).....	\$20.00
Corn.....	36.00
Champion feed (meal).....	6.00
Interest.....	2.44
	<hr/>
Total.....	64.44
	<hr/> 42.77
Average loss per head.....	21.67

C. E. LEEPER, Eaton, Colo.

Q. Who is C. E. Leeper?—A. He was the feeder.

Q. And what has been the experience of the feeders in the last year generally up in Colorado, as far as you have learned from having them talk about it to you, Mr. Blakley?—A. Why, the men that had the pulp feed—that is what they call the cheap feed—are going to make a little money. The others are all going to lose, or have lost. The sheep feeders, it is generally reported in Denver by the commission firms that handle sheep exclusively, that they will lose from one to three dollars a head. Those that got in early and bought the feed around 14 or 15 cents may play even if they held for a late market. I understand the market is a dollar a head better now than it was two or three weeks ago. But, as a general thing, they will lose from one to three dollars a head.

Q. Is there a very large amount of sheep feeding done in Colorado?—A. About 750,000 sheep this year.

Q. Do you know what the lamb crop was in 1917?—A. The lamb crop?

Q. Yes, sir.—A. No, sir; I don't.

Q. It was reputed to be about a million short, wasn't it?—A. Yes, sir; it was so reported, but then I don't know of my own knowledge. The information I give you in regard to sheep was given to me by the W. A. Snider Commission Co. and the Knowlin Sheep Commission Co. We handle very few sheep.

Q. They are in the business on a large scale?—A. Yes, sir; on a large scale. About two-thirds of the sheep in Colorado have been marketed. There are possibly 250,000 back yet.

Q. So that the biggest part of them have already taken their loss?—A. Yes, sir; they have already taken their loss.

Q. Have you talked to members of your exchange generally about the question of the desirability of ownership of the stockyards, or undesirability, either one, of the ownership of the stockyards by the big packers or any of them?—A. No, sir. That question might be talked individually, but in exchange meetings it has never been brought up.

Q. Well, in talking to them individually, have you formed any impression as to their general opinion in regard to it?—A. I will say the general opinion is, among the commission men, that it would be better if the packers didn't own the stockyards; that it would be better if it was handled by another corporation or other people.

Q. Have you heard any talk about the question of Government ownership of them?—A. Why, no, sir; only you might say occasionally some one would express the opinion that the Government will own us all pretty soon, will be running the whole thing. But, of course, that sometimes is idle talk. I don't know whether they meant it or not.

Q. Well, if you had to make your choice between the Government running the whole thing or the five big packers running the whole thing, which would you take?—A. Well, if the Government would take the stockyards, I think we could get along very well. They could run the packing houses.

Q. I know that there has been a common belief in this country that public ownership should only apply to the things that cost money to run, and that are all outgo and no income, and never apply to those things where there is any chance to make a profit; that the cities ought to run the parks, the sewers, and the schools—which, of course, require no intelligence to run—and the fire department, which requires no intelligence, and such as that; but they must not run street railroads or water systems or anything where there is any chance to make them pay their own way. You share in that belief, do you?—A. I have noticed that is the case. I have noticed the Government, or city governments or municipal governments, never own anything that pays, and usually the corporations don't ever allow them to own anything.

Mr. HENRY. Gentlemen of the committee, I will not take up any more time in reading this testimony, but will call the attention of the committee to the fact that there were several witnesses who testified at that Denver examination, and that the only so-called independent slaughtering plant is controlled by the big packers, and that there is no independent slaughtering plant; that the independent plant, so-called, will not slaughter for these other packers except on terms and conditions which require, among other things, that the hides of cattle be left with them at a price which is below the market price, and they can not sell to anybody else. They let them have it for the killing, or they pay for the killing by buying in portions of the animal, the portions that they insist upon having, and will not kill for others in any other way; so these independents are operating at great disadvantages so far as cost is concerned.

WIRING ON.

There has been considerable said about wiring on. The big packers have said that that is a very innocent proceeding. Wiring on means this: A man ships his cattle into Omaha, we will say, from west of there. When he ships in, he sees by the newspapers what

the price is, and perhaps the price has been steady for the week, and he thinks he can get in on that market, and ships in. When he gets there he doesn't get the offer that he expected; he gets an offer or two, we will say, but that are not up to the market that he expected, and he thinks his cattle are worth more money. So he concludes to ship to Kansas City or to Chicago. If he has been reading the papers and thinks the market at some other place is better, he reships.

Now, what has been the plan of the big packers? Or first I will speak of the complaint of the live-stock men. The complaint of the live-stock men has been for years that in those instances the big packer buyer who made the offer will learn in some way where those cattle are shipped, notwithstanding the owner tries to ship them, and often does ship them under a fictitious name. He tries to ship them to somebody, or does ship them to some commission man other than the same firm that had them there. In other words, he tries to keep the big packer from knowing that these are the same cattle that they once had a look at and made a bid on.

The packers testified over at the Senate committee that the only way they knew about it, or at least Swift said that, that commission men would wire on to commission men at the other place. Now, gentlemen of the committee, the testimony taken under oath of many witnesses is contrary to that, and I want to say, gentlemen of the committee, that that evidence can all be furnished to the committee by the Federal Trade Commission if desired.

Mr. HAMILTON: Before Mr. Heney concludes this subject I would like to ask a question. But I will first ask, is this the only subject you want to take up?

Mr. HENY. No; there is one other subject I want to take up, and that is one that Mr. Glasgow had up here.

Mr. HAMILTON. Go ahead then, I will not interrupt you.

Mr. HENY. What I am about to read to the committee will show that at Kansas City, in order to get the information desired, before Morris & Co. acquired ownership of the stockyards, and when the yards were in the ownership of outsiders, which was about down to 1912, that the packers for years maintained a system there by which they paid a man named Earl Cooper to secure information from the books of the stockyards company at 5 o'clock every morning, of all live stock that had been shipped on.

Now, I might explain that the stockyards company would know who the owner was even if he used a fictitious name in reshipping, because they would have their records of the pen in which that individual's cattle were put when they arrived, and they had to have that information in order to know where to take the cattle from to reship them. This man Cooper bribed the night clerk who was in that office to permit him to come in there and remain from 5 o'clock until half past 5 o'clock and copy off this record, and that man Cooper would furnish it by 7 o'clock in the morning to each of the big packers, and they joined pro rata in paying his fees. The bribe money paid the night clerk was only \$10 a month—\$5 a month was paid by each of the packers for this purpose.

Wilson & Co., after Morris & Co. acquired the yards—Thomas E. Wilson being the manager of Morris & Co. from the time of Edward

Morris's death, or a short time after that—Wilson & Co. took over the payment of this money, and to-day Wilson & Co., or, at least, when we were there in Kansas City investigating, Wilson & Co. were still paying it, although it was not necessary to do it, to bribe the clerk any longer, because the man could go up there and get it, as Morris & Co. controlled the yards; and with the big packers controlling the yards, of course, they could get any information they wanted, but they continued to get it in the same way.

Earl Cooper testified to this.

And, further, Mr. Burns, one of the men employed, had testified to these facts in the trial of the Aikens' calf case there. Burns said to our examiner that the big packers, or their attorneys, tried to get him not to testify to it, and held forth to him inducements not to testify, but he said, "I am going to tell the truth when I go on the stand," and he did tell the truth about it in that calf case that was tried there. And I put the man to whom Cooper paid the money on the stand and he admitted his indorsement on the checks. They were \$10 checks and they had been mostly cashed at a saloon.

With that explanation, I will read a report of Mr. E. S. Haines on the subject. I should explain that this report was made in December, 1917, and we held our hearings in March, 1918, and they were still following this line of work at that time.

The result of many interviews and examinations will reveal a pool or combination of Armour, Swift, Morris, Cudahy, and Wilson, through which these packers secure market information and secure confidential shipping information, which information is used in "wiring on" or following shipments from Kansas City to other markets and for other collusive purposes.

The Fowler Packing Co., owned by Armour, also participates in a part of this combination, but in this report will not be considered separately from Armour & Co.

This special pool employs three men at the present time. These employees and their positions will be indicated by the following, which is an exact copy of a record examined and secured at the general office of Wilson & Co. December 22, 1917:

ACCOUNTS PAYABLE.

Salaries for the first half of December, 1917:

C. H. Werner—

Weighing and inspecting.....	\$50. 00	
Compiling report.....	5. 00	
		<hr/> \$55. 00

P. A. Brock—

Train reporter.....	55. 00	
Cattle report	10. 00	
		<hr/> 65. 00

Jas. Smith, humane officer.....	40. 00	
		<hr/> 40. 00

160. 00

Charge, weighing and inspection account.

This semimonthly expense is apportioned on a percentage basis among the packers.

C. H. Werner performs duties for the combination in connection with the Kansas City Board of Trade. His work does not relate to "wiring on" and will therefore not be considered in this report.

P. A. Brock and James Smith have fully explained their duties in connection with this system. James Smith, known as humane officer, assists Brock in the matter of securing shipping information. The story of Brock's work is told in report 107, and Smith's activities are related in report 108.

E. J. Cooper, an employee of the combination for 16 years, until 1913, was Brock's predecessor. Mr. Cooper was my most important informant in this study. (See report 106.)

Mr. HENEY. 1913 was when the Morris interests took control, and that was about the time change was made from Cooper to Brock.

George Kline during most of this period was the night clerk at the stockyards offices and in charge of the shipping room. Ed. Darrell, at present night clerk, cooperates with Brock by giving out the desired information.

GENERAL STATEMENTS.

1. The information the packers at Kansas City have secured and are securing to "wire on" shipments to other markets and for other collusive purposes, thus stifling competition between these public markets, destroying the confidence of shippers in all those live-stock markets, and ultimately tending to discourage production; has for a great many years and is at the present time being obtained by a man employed and paid jointly by the five packers. This employee of the combination gets this confidential shipping information, which has been turned over to the stockyards company by the various railroads, by entering the offices of the stockyards company about 5.30 o'clock every weekday morning and copying records which George R. Collett, the local stockyards manager, admitted the packers were not legitimately entitled to, and records the farmers or shippers, when they engage their cars, importune the railroad agents not to permit these packers to get access to.

Mr. HENEY. Let me say, gentlemen of the committee, Mr. George R. Collett, who was the president and general manager of the stockyards for Morris & Co., is now vice president of Morris & Co. at Chicago. He went there about a year ago, as I understand it. He is the gentleman we spent three days trying to subpoena, and wired to Chicago to Morris & Co. to try to find out his whereabouts, and put his private stenographer on the witness stand to try to find out, and put the vice president and the secretary on the stand, and not one of them had any idea where he was or how long he would be gone or what became of him at all. Yet they say we did not want to put any of the packers' representatives on the witness stand.

The stockyards shipping department offices from 6 p. m. to 6.30 a. m. are in charge of a night clerk. This night clerk at the present time and for many years has permitted this employee of the packers to copy from the shipping records such information as was required by the packers.

3. From 1896 to December 1, 1912, E. J. Cooper (report 106) was employed by the packers to get this confidential shipping information and was furnished money with which to bribe the night clerk (George Kline) in order to get access to the records. This bribe fund, \$25 a month, was furnished in addition to Cooper's regular salary and was provided by each of the packers paying \$5 a month to the pool. Cooper usually paid George Kline, night clerk, \$10 of this amount, retaining \$15 for himself.

4. This information secured at 5.30 each morning covers all the live-stock purchases of the previous day and also a record of all the shipments made to other markets. This information is taken to a certain building in the stockyards, known as the train office, where this employee of the five packers has a desk. At this desk this employee makes five copies of this purchasing and shipping information. These copies are taken by another employee of the five packers, a man known as the humane officer, and delivered to the offices of the packer buyers in the Exchange Building.

5. When the head buyers for the packers arrive at their adjoining offices, all on the eighth floor of the Exchange Building, at 7 a. m., they have before them this accurate record of every purchase of the previous day and also a record of all shipments made out of Kansas City. I have secured some of these reports from the packer buyers and will attach them to report No. 111.

Mr. HENEY. Now, gentlemen of the committee, this was testified to under oath by Mr. Cooper¹⁴ and by Mr. George Kline,

who admitted his signature and indorsement on the checks, as well as the fact that he did permit this man to come in and get this information and that he got the money.

Mr. HAMILTON. Who was Kline?

Mr. HENNEY. Kline was the clerk employed by the stockyards company, and was in this office in charge of—I don't remember what his duties were.

Mr. HAMILTON. Was he called night clerk?

Mr. HENNEY. Yes; night clerk.

Mr. HAMILTON. He went on at 5.30 o'clock in the morning?

Mr. HENNEY. No; he was on during the night, and would go off probably at 7 o'clock in the morning, and this man Cooper would come in at 5.30 o'clock in the morning and get the information and take it over and deliver it to the representatives of the five big packers before 7 o'clock in the morning.

Mr. HAMILTON. How were you able to get the testimony from Kline?

Mr. HENNEY. Well, Kline did not like to come there, and did not like to admit that he was paid the money as a bribe. But he had to admit getting the checks and he cashed them with saloonkeepers, and he stated that Cooper gave it to him. I forget the first part of the explanation but it is all in the evidence, if you gentlemen would like to see it.

Mr. DILLON. Who issued those checks?

Mr. HENNEY. Cooper. He testified to the whole story, and he was the man employed by the packers to get this information, and he frankly told the whole story.

Mr. HAMILTON. Is he still in the employ of the packers?

Mr. HENNEY. He is in the yards in some capacity. I am informed by one of the gentlemen here that he is a trader in the yards.

Mr. HAMILTON. He is running an independent business.

Mr. HENNEY. Yes, sir; he is a trader.

I will continue to read this report:

6. One of the Armour cattle buyers, Leo Burns, explained how he made use of this information secured by this employee hired jointly by the packers. He explained that each morning this information was used as the basis of telegrams sent to Armour buyers at other markets to which shipments from Kansas City were consigned.

7. The commission men admit (report 115) that "wiring on" has been a common practice of the packers, but is not employed as frequently to-day as previously, due to the fact that this practice of "wiring on" is now so well understood by the commission men and experienced shippers that commission men advise against shipping from one market to another, with the result that such shipments are now comparatively infrequent. The packers have apparently won out on this issue and have so intimidated farmers that few shipments are now made. However, when farmers do ship on they invariably go to great expense in an effort to conceal the identity of stock offered on the first market.

8. In addition to furnishing this "wiring on" information, these employees of the five packers perform other duties for their "five bosses." Mr. Brock and the humane officer between 5 and 6 a. m. visit the train offices and get a record of the number of cattle and hogs due to arrive that day. These incoming shipment figures furnish the basis of the "estimated receipts" for that day. These figures are compiled by Mr. Brock and posted at 6.30 on the bulletin board in the Exchange Building and special copies delivered by the humane officer to various packers' buyers in the exchange building.

Mr. HENRY. They called him the humane officer because if a hog has a broken leg or something else wrong with him he determined whether the hog should be sold for slaughter or shot and sent to the rendering company controlled by Morris.

Mr. HAMILTON. Is he a city official?

Mr. HENRY. He is paid by the packers, but appointed by the city. The Kansas City officials appoint him under an arrangement by which the packers pay him.

Mr. HAMILTON. He doesn't get any pay from the city, then?

Mr. HENRY. No.

Mr. HAMILTON. He receives his pay from the packers?

Mr. HENRY. From the packers.

Mr. HAMILTON. And he is the humane officer?

Mr. HENRY. He is the humane officer, which gives him the privilege of shooting these hogs, when to decide to put them out of their misery.

Now, gentlemen of the committee, as to these reports, Nos. 104, 106, 107, and 108, and so on, they are up at the Federal Trade Commission now if the committee wants to see them.

I might further explain that I found at the Kansas City hearing, and found before that, that some live-stock men had the honest belief in the packers' statement, for they had reiterated it so often, that while they used to wire on they had stopped it on account of the complaint of the producers.

At the Houston convention, after the Borland resolution was introduced, in the spring of 1916, they had acknowledged that they had indulged in wiring on at one time, but that they had practically stopped it. At the Kansas City hearings I produced telegrams of wiring on that had been taken from Swift & Co.'s files. Some of the telegrams were only a few weeks old, and some of them, as I recall, or quite a number of them, were during 1917. This was early in 1918.

9. After performing these two functions of compiling for the packer buyers, the purchases and shipments of the previous day and estimating the receipts for the current day, Mr. Brock spends the balance of the day checking up actual hog receipts and reporting to the hog buyers employed by the five big packers. As soon as a hog train arrives Brock gets the actual receipts and reports in person to the packer hog buyers, who are then buying in the yards. The estimated receipts are not accurate, so that as the actual receipts are obtained the buyers are informed and the estimated figures raised or lowered as the case may require. The actual receipts which usually differ from 500 to 2,000 from the estimated receipts are given only to the packer buyers. The figures are not changed on the bulletin board for the benefit of the public.

The public has it estimated, but the actual receipts, which are changed during the day from 500 to 2,000 in number, the packer buyers know about only, while the traders and others do not know.

10. After performing his early morning statistical duties assisting Mr. Brock, this other employee of the packers, Jim Smith, the humane officer, goes to the train chutes, where animals are unloaded, and looks up the "crips," or crippled hogs and cattle. Certain crips which he decides are not in condition to walk or be taken to the packing plants are shot and delivered to the Standard Rendering Co.

11. This humane officer is regularly commissioned by the mayor of Kansas City to perform these duties. However, he is paid by the five packers.

12. These two employees of the five packers are paid out of a common fund which is made up by assessing the five packers on a basis of the number of animals purchased during the month. (Report 113.) This pool arrangement has existed since 1893, the humane officer testified. The pool organization

at first had its headquarters in the Armour Building, Fifth and Delaware Streets, Kansas City, which at that time was also the headquarters of other packer trust arrangements. Since then the pool has shifted from one up town to another, until in 1915 it was handled at the general offices of Swift & Co. Since May, 1917, Wilson & Co. handles these accounts and assesses the other packers their percentage proportion of the common expense.

WIRING ON RESULTS.

The packers' practice of "wiring on" to discourage farmers from shipping from one market to another and thus prevent competition between markets has resulted, the writer believes, in actually reducing live-stock production in this country. The testimony of many commission men and farmers confirms this belief. As a result of the packers' absolute control of all the big public markets and their preventing competition between these markets by such practices as "wiring on" they have caused the better-informed farmers and shippers to look with suspicion and distrust on all these markets, and in many instances have so completely discouraged the farmers that the farmers have quit raising and marketing cattle and hogs. "I have sold them my last steer," or "They will never rob me of another animal," is what one frequently hears.

Unless these public markets are divorced from packer control and the confidence of the farmers in these markets restored, your examiner believes that production of live stock will be gradually reduced. I am convinced that the producing public now quite generally understands the packers' combination and control of these markets and that this knowledge or understanding is increasing very rapidly, with the result that there is widespread distrust and discontent.

Respectfully submitted.

E. S. HAINES.

Mr. HAMILTON. You use the term "Your examiner." You read that. What does that mean? Is that the report of the examiner representing the Federal Trade Commission?

Mr. HENNEY. Yes, sir.

Mr. HAMILTON. That is his summing up of the testimony?

Mr. HENNEY. That was his summing up of the investigation made by him before the testimony was taken. He interviewed these different men, and after he had interviewed them this hearing was held up there, and that is how I knew what men I could call to get the information—men like Kline.

Mr. HAMILTON. Now the testimony sustains that summing up?

Mr. HENNEY. Absolutely; and it is here in volume 1 of the Kansas City hearing, March 21 to 23, 1918, and that is the testimony given under oath, question and answer, and absolutely sustains every point that is made there.

Mr. HAMILTON. That is to say, before you got to the point of taking testimony, these men, or some one preceded you, and had gone over the ground?

Mr. HENNEY. In some places they had; not in all places, but they had there.

Mr. HAMILTON. And made a report?

Mr. HENNEY. Yes; and made reports.

Mr. HAMILTON. Like the report you are reading from?

Mr. HENNEY. Yes.

Mr. HAMILTON. I wanted to get the general system.

Mr. HENNEY. And then a special report, in which you notice—Report No. 103, say, Earl Cooper, we will say—that report would give verbatim, as near as he could report it, frequently writing it down. They are instructed whenever they can get a man who is willing to write it down as and when he told it to them right then and there;

and if it was a man who did not want to give them any information, to chat with him and talk with him and write it down as soon as they got away from him, while it was fresh in their memory—not wait and interview some one else, but write it down right then before they interview anyone else. But where the man is willing to sit down and let them do the writing right in his presence as he told it to them, to do it that way. So that where it quotes the man, most of the time that is the way it was done—written as he told it to them.

The CHAIRMAN. Mr. Heney, I believe you said there was one other subject matter in connection with the name of Mr. Glasgow that you wanted to refer to.

Mr. HENNEY. Yes; that is the only thing, and before taking that up, Mrs. Florence Kelley is here, from New York, and has sent me a memorandum just a moment ago, saying that unless she could testify now she would not be able to get back here, and she has to return to New York early this afternoon. She says it will not take her over 20 minutes, and if satisfactory to the committee I will be very glad to stop now, and that will leave only this one other question that will not take over half an hour.

The CHAIRMAN. And you will come back at 2 o'clock?

Mr. HENNEY. Yes.

The CHAIRMAN. Well, if that is satisfactory to you, Mrs. Kelley can go now. You will come back at 2 o'clock.

Mr. HENNEY. Yes.

AFTER RECESS.

The committee reassembled at the expiration of the recess at 2 o'clock p. m.

The CHAIRMAN. The committee will come to order. Mr. Heney you will proceed with your statement.

Mr. HENNEY. The next matter to which I want to direct the attention of the committee relates to the Food Administration. The evidence was brought out by me in Chicago, a portion of it, to show the activities of the packers in endeavoring to control the regulators, and we found letters in Swift & Co.'s files showing that Swift & Co. had been very active in getting men appointed on the Council of National Defense first, prior to the organization of the Food Administration, with a view of their being transferred to the Food Administration if one was created, and thereafter of other men being put on the Food Administration. They had there, as shown by these letters, first, a Mr. Collins, I think his initials are H. C., who was superintendent of the produce department of Libby, McNeill & Libby, as I recall it. Mr. O. E. Heyl, who was director of canned goods department of Libby, McNeill & Libby. In the Food Administration Mr. Heyl was on the canned goods end of it; another man was Mr. F. S. Brooks, who was connected with the railroad end of the Food Administration, and another was W. F. Priebe, who was in charge of the poultry division of the Food Administration, all of these being Swift & Co.'s employees.

A letter, dated July 9, Chicago, Ill., July 9, 1917, from F. S. Brooks to W. B. Traynor. I shall now read, and Traynor is the right-hand, confidential man of Louis F. Swift, and is yet the closest friend to him in the business.

(The letter referred to is here printed in full, as follows:)

CHICAGO, ILL., July 9, 1917.

MR. W. B. TRAYNOR:

Mr. Edward Chambers, vice president in charge of traffic, Santa Fe System, informed me confidentially Saturday afternoon that he had, through Mr. Ripley, been called to Washington to service with Mr. Hoover as an associate in direct charge of the transportation end of the food conservation program.

Mr. Chambers will undertake to bring about complete cooperation and harmony among the railroads of the United States in the execution of such plans affecting their interests as may be promulgated from time to time by Mr. Hoover and his advisers.

Mr. Chambers said that in his new duties he thinks that he will from time to time be brought in contact with our interests, and in that connection that we may depend upon him to the limit as our friend.

It is the purpose of Mr. Chambers to return to Chicago about once a month for a day or so to keep nominally in touch with the affairs of his department of the Santa Fe, but so far as he knew, his duties with Mr. Hoover will keep him on the job in Washington throughout the period of the war.

Mr. Chambers in this capacity will be one of the most powerful railroad men in the United States, and it is peculiarly gratifying to say that he is probably the best friend I have among my friends.

Mr. Chambers was recommended to Mr. Hoover unanimously by the American Railway Association, the Interstate Commerce Commission, and many leading interests of the country.

Mr. Chambers left Chicago July 8 for Washington to assume his new duties.

(Signed) F. S. B.

That recalls to my mind, and I have not thought of it until this moment, that when Roosevelt was President I had delivered to me in Los Angeles one day some correspondence between this same Mr. Chambers and another official of the Santa Fe directing the other official how certain rebates were to be paid, and at that time Mr. Ripley was attacking President Roosevelt very severely in the newspapers for having said something that indicated that the Santa Fe road engaged in rebating, and I sent photographic copies of these letters to Mr. Roosevelt, and he included them in his message to Congress, which, of course, is available to this committee.

Following this letter, not very long afterwards, I have forgotten the date, this letter of July 9, 1917, Mr. Hoover wrote to Swift & Co. and in substance said—I have not the letter here but I will have the Federal Trade Commission furnish you with the exact letter—the substance of it was that Mr. Brooks had been recommended to him very highly and could Swift & Co. spare him for the Food Administration; and he was spared, and came on and went to work under Mr. Chambers and continued to draw \$9,600 a year from Swift & Co. O. E. Heyl, while working at \$1 a year here in the canned-goods department, was drawing \$10,000 a year from Swift & Co. Collins was doing the same; Priebe was in a little different situation. Swift & Co. had acquired Priebe & Co. in 1905, and owned every share of stock of Priebe & Co. and do yet. They had employed Priebe to manage it, and it is operated under the name of Priebe & Co., but it is 100 per cent Swift. Priebe gets \$275 a month salary, together with 25 per cent of the net profits after 7 per cent on capital is deducted. Mr. Priebe was getting that salary, as well as those profits, up to about the time that I brought out those letters. Up to that time he was, because I sent my man to the books—Mr. Hoover issued a statement when these letters were issued saying these men's salaries had stopped, and I sent one of the expert accountants of the Federal

Trade Commission out to the company's immediately, demanding an investigation of the books, and it was found that the salaries of all but one of them was still continuing, and that one had stopped after we had taken these letters from the files, and only about two weeks before.

WASHINGTON, D. C., August 15, 1917—6.08 p. m.

SWIFT & Co.,

Union Stock Yards, Chicago, Ill.

I will appreciate very much your contributing the services of your Mr. F. S. Brooks to the United States Food Administration to assist Mr. Chambers in handling transportation matters. Mr. Brooks is very highly recommended and this request is made for patriotic reasons. Would like him to report here Monday next.

HERBERT HOOVER. 5.51 p. m.

Copies E. F. S., C. H. S., G. F. S., Jr., G. H. S., A. B. S., L. A. C., F. S. H., E. L. W., E. V., R. C. M., A. D. W., F. S. B., W. L., A. R. F.

After I had produced these letters, I received a wire from the Federal Trade Commission asking me to come to Washington. That was early in March, 1918, and when I got here I was advised that Mr. Hoover had made a complaint to the President, and that the President had sent word to the Federal Trade Commission that he had no instructions to give in the matter, but hoped a head-on collision could be avoided. The Federal Trade Commission wanted to know if I would talk with Mr. Hoover and I said yes, in their presence.

So an appointment was made with Mr. Hoover, and Mr. Glasgow came with him as his attorney. The conference was held in the rooms of the Federal Trade Commission. My recollection is Gov. Fort, Victor Murdock, W. B. Colver, and Mr. Harris were present. They constituted the entire commission at the time. There was a vacancy of one. In that talk I told Mr. Hoover that from the letters which we had found that I was convinced Mr. Priebe should be removed from his position. Mr. Heyl resigned about that time. Mr. Collins did the same. I have forgotten now whether they resigned before I got here or not; I am inclined to think it was just before I got here. Mr. Hoover said that he had talked with Mr. Priebe, and that Mr. Priebe assured him that he was not drawing a salary, and no longer was connected officially with Priebe & Co. and that he was connected with four independent concerns that had nothing to do with Priebe & Co., naming them. I had also told Mr. Hoover in this talk that a convention of poultry dealers, which had been held in Kansas City a short time before, had come very near to adopting a resolution condemning Priebe and asking his removal, and Priebe being there and Mr. Lightfoot, the mover of the resolution having given 24 hours' notice in the presence of Mr. Priebe, and in his talk in support of the resolution having charged Mr. Priebe with using his office to further the interests of Priebe & Co. and Swift & Co., and challenged Mr. Priebe to deny that he did use the information he got by reason of his official position to take advantage of the other dealers on the market. Mr. Hoover replied that Mr. Priebe had been unanimously indorsed by that convention, in spite of Mr. Lightfoot's attack, and I told him that these four concerns were, in my opinion, from information I then had, merely buying agencies of Priebe & Co. which in effect, was Swift & Co.

Then the question came up as to whether or not I would be willing to refrain from publishing any more letters without first submitting them to Mr. Hoover, if they related to any person employed in the Food Administration. He said that it was affecting the ability of the Food Administration to carry out its policies. I said, "Mr. Hoover, I am perfectly willing to do that." He said, "If there is any man in there who is crooked or ought not to be in there I am the first man who wants to get rid of him." I said, "I am perfectly willing to do that," but, I said, "I think I have already submitted and made public sufficient evidence to furnish the ground for the removal of Priebe, and you do not accept that as being of sufficient weight." "No," he said; "I do not." "Well," I said, "I will agree that I will not make any more letters public without first submitting them to you." Mr. Glasgow immediately interjected and said, "But you do not promise that you will not afterwards make them public." I said, "No; and I do not intend to make any such promise, because if the letters, in the opinion of the Federal Trade Commission, should be made public, or if in my opinion they should be made public and the Federal Trade Commission permits me to hold a hearing, I shall certainly make them public." I can not pretend to give the exact language, but I am sure I am giving the exact substance of that conversation.

Mr. Glasgow now says that he did not make that statement; that the statement he made was that—I do not know as I can recall it exactly now, but it was, "Why, Mr. Heney, you say you will not make it public, that you will send it to Mr. Hoover before making it public; but you might send it in the morning and make it public in the afternoon, or before he had the chance to pass upon it," something to that effect.

Now, I submit that that could not have been the statement made by Mr. Glasgow, because I immediately would have resented any such statement as that, because it would have been a charge that I would act in bad faith, because when I said that I would furnish him with the letters it carried with it, by implication, that I was acting in good faith, that I would wait until he had an opportunity to consider them, because the sole purpose of giving them to him was to give him an opportunity to act in making the removal, he having said that if they justified it he would remove them without it being made public.

Mr. Glasgow's statement as given before the Senate committee on Saturday, February 11, 1919, on page 3529 of the record, is as follows:

At the end of it Mr. Heney said this, "that he would agree that hereafter if affecting the people who were with advise Mr. Hoover." Thereupon I eney, you might advise us this after-ate, publish it to-morrow morning." d Administration the opportunity to and I said, "That is all right; that to the Trade Commission and said ish any letters that he thought the I felt no interest in that and paid no

to determine, each member for tements is the more likely to be y disposition and temperament

here, and it is perfectly obvious from what preceded this that if Mr. Glasgow said that, it would have been, in effect, a direct charge that I, when I said that I would submit the letters to him, he having said that he would remove the man if he ought to be removed, that I would submit them to him before making that public, it necessarily carried with it the implication that I would wait until he had had an opportunity to act before I would make them public.

Mr. Glasgow said that in justification of Mr. Priebe he felt that he had to come before the Senate committee, or that in coming before the Senate committee he ought to present the record on the Priebe matter in relation to the charge which I had made before the Senate committee. My charge was that Mr. Priebe, on September 15, 1917, had issued an order requiring all poultry to be out of cold storage by December 1, 1917; that that raised a storm of protest among the small poultry dealers because it meant ruin to many of them; that the purpose of that was to depress the price of live poultry. The new pack starts to come in just about September 15, or a little later, and continues coming in until about March; that Swift & Co. had sold practically all of its pack of the previous year at the time this order was issued, and that Priebe & Co. had emptied its plant, that it had sold all of its poultry prior to the making of this order, and that the object of this order was twofold, one to depress the price of the incoming poultry, and another to burn the fingers of the little fellows who had bought heavily in 1916, and force them to take a loss, their poultry being thrown on the market would cut the price of the incoming poultry, and would have to be sold at a loss. That they were holding it because they had not the opportunity to sell except at a loss.

I was mistaken in my statement that the order was that they be out by December 1, and I was testifying from memory. The order is, I find, that half the turkeys should be out by December 1 and the other half by January 1, and that all other poultry should be out by March 1.

Mr. Glasgow appeared before the Senate committee and said that, in justification of Mr. Priebe, he felt he should produce the record, and that this was the record, and that, in effect, he says this is the first paper in it, and the first paper he produced was a letter written by Mr. Priebe on October 31, of 1917, to Mr. Robert Taft, one of the attorneys for the Food Administration, residing in New York, asking Mr. Taft whether or not it was lawful under the Food Administration act for any dealer to hold poultry that was purchased in one season of plenty over the scarcity season to the scarcity season of a second year, and Mr. Taft replied about November 1 or 2, or, at latest, November 5, saying that it was unlawful to do it; and on November 15 that the Food Administration, in accordance with the Taft letter, issued an order. The letter to Taft is dated October 31, 1917, and appears on page 3555 of the record of the Senate Agriculture Committee, and the letter of Mr. Taft, in reply, is dated November 1, 1917, so it did not take Mr. Taft long to reach a conclusion on the law; and on November 15, 1917, the order was issued, which Mr. Glasgow very ingeniously presents as being the first order on the subject following these letters.

After Mr. Glasgow had presented them to the Senate committee, I said:

Mr. Glasgow, did you read the charge that I made as it appears in the record of the Senate committee that the order about which complaint was made was issued September 15 and not November 15; and do you not know that that order and the effect of it on the small poultry dealers was the cause of this second order; that the first order ruined many of the small fellows and started a protest over the entire country from the small dealers; and that this letter to Mr. Taft was written for the purpose of getting a justification for what had been done long before; and that this order that you now present here as being the first order is in reality the justification order, which was made subsequently, and that it, the second order, operated again to the benefit of the big packers, because in the meantime much of the poultry of the small dealers had already been thrown on the market, had been purchased by the big packers, and the big packer was going to have the advantage that came from the second order being more liberal?

He said:

I do not know about any order prior to this, Mr. Heney. I have brought the record that I got over there at the Food Administration on the subject, and I do not know about it.

Now, let us accept Mr. Glasgow's statement as being entirely ingenuous, frank, and honest. What has he done since? It must have been three, four, or five days after that that he came before this committee. Now, I have not read his testimony here, but I am told that his testimony here utterly ignores the order of September 15, and starts with this letter of October 31, 1917, to Mr. Taft. If I am in error about that, I would be glad to be corrected.

Mr. SANDERS. That is exactly where Mr. Glasgow's testimony started on the Priebe matter.

Mr. HENY. I now want to present to this committee the testimony that was taken at Chicago, and with which Mr. Glasgow should have been familiar, because this is what started the trouble, and caused the Federal Trade Commission to send for me to come to Washington. The testimony is as follows:

ROOM 653 FEDERAL BUILDING, CHICAGO, ILL.,
Wednesday, February 27, 1918—2.30 o'clock p. m.

Met pursuant to adjournment.

Present: Examiner Basil M. Manly, presiding; Mr. Francis J. Heney, attorney. Thereupon the following proceedings were had:

Seymour H. Neumann was called as a witness, having been first duly sworn by the examiner, testified as follows:

Examination by Mr. HENY:

Before reading this testimony, let me say this: After Mr. Hoover had made this statement about the resolutions being unanimously passed indorsing Mr. Priebe, and that he was interested in these four concerns that had no connection with Swift & Co., I returned to Chicago and immediately investigated what had happened at that convention, and found that Mr. Lightfoot introduced the resolution saying he would ask for a vote the following morning; that that afternoon and evening, and that they, the Kansas City representatives, busied themselves, most of them all day, urging members from other places to vote against the resolution, because the convention had invited Mr. Hoover to come and address it and he had sent Mr. Priebe as his representative, and it was not in accordance with southern chivalry to slap a man in the face when he was there as a guest. That was the substance. Not only that, but on the fol-

lowing morning, before the vote was to take place, the packers themselves brought in something like 20 of their own employees and paid \$5 initiation fee to enable them to vote, and many of the independent poultry dealers, when they saw this being done, walked away and did not vote, and yet, notwithstanding all those things, the resolution failed by only four votes, and Mr. Glasgow admitted before the Senate committee in his testimony that it did fail by only four votes; that they found that out afterwards, and that Mr. Hoover had been told by Mr. Powell, another member of the Food Administration that it was unanimously passed. Now, Mr. Powell is from California. I saw a letter from Mr. Preston, the owner of this Chicago Produce News, and the owner of a newspaper in New York of the same kind, to Mr. Newman, in which he said:

Mr. Powell called on me from the Food Administration and threatened me that our paper would not be permitted to go through the mails any more if we continued to attack Priebe.

They had been attacking him and Mr. Preston had written an editorial retracting, in effect, what he had said about Priebe, and praising Priebe. Mr. Neumann showed me the letter, and I then wrote to Mr. Preston and asked him who the man was. The letter told it, but Mr. Neumann expressed the wish that I would not say that I knew, and I said if he would tell me I would address the President on the subject, that I was satisfied the President would not tolerate any such condition of affairs. But Mr. Preston did not furnish me with the name of the man; he evidently had been quite well intimidated.

Now, Mr. Glasgow says that Mr. Hoover took that matter up, they having heard that I had made some statement. I do not know how they heard it, whether it was from Preston or what source. And then Mr. Powell says that he never knew anything about any law by which the paper could be kept from the mails, and that he never had said anything of the kind to Mr. Preston.

I caused an investigation to be made of the four concerns Mr. Priebe says he was interested in, and they were and are merely buying agencies of Priebe & Co. in which Priebe is interested. One of them gets its money by Priebe & Co. going on its notes, or supplying the money with which it does the purchasing; it, in effect, purchases on a commission, and I so reported back to the Federal Trade Commission and requested that the entire matter be laid before Mr. Hoover. Not only that, but we secured additional letters from Priebe & Co.'s files, and those letters proved conclusively that Mr. Priebe was using the information which he got in that position, and which no one could get any other way, as to just exactly how much cold-storage poultry each dealer had on hand and the date it went in. You can get the information as to the total amount on hand, but not the date it goes in in any other way, but he was requiring reports to be made that gave that information, and that was the basis of Mr. Lightfoot's complaint. He said: "Swift & Co. threatened to put me out of business about 1900; they threatened Priebe at the same time; they put him out of business by 1905, but they have not got me yet," and he has about 30 poultry plants or agencies through Missouri and other States, and he says, "If they do not have an unfair advantage of me they can not put me out of

business, but," said he, "the information Mr. Priebe is now getting, if he would give me the same information on their business and give me any bank credit sufficient with which to buy, I will guarantee that I will get the control of the poultry business of the United States."

These letters show conclusively that Mr. Priebe used that information for the purpose of determining what Priebe & Co. should do in the way of buying poultry and disposing of poultry during that time, and conclusively proves exactly what I have charged to Mr. Hoover, and the Agricultural Committee has asked the Federal Trade Commission to furnish it with that correspondence, in view of the fact that Mr. Glasgow testified there and that I testified as I did, and if this committee desires to have it, why it will be furnished at the same time to this committee, and I think it should have it, because I think this particular matter is one of the most—well, it is one of the clearest proven, at any rate, of the matters which have happened which are of importance to the country to know, because of the general effect of them, and there are three or four of those letters that tell the whole story exactly as Mr. Neumann told it on the witness stand. They corroborate every statement he has made.

Mr. STEPHENS. Why not insert those letters in your record?

Mr. HENEX. Yes; I should like to do so. I will send them here to be inserted. They are having them copied now, and I will send them down here to be inserted, if I may.

Mr. SANDERS. You started to read some testimony.

Mr. HENEX. Yes; I am going to read the testimony of Mr. Neumann. It is as follows:

Q. What is your name?—A. Seymour H. Neumann.

Q. What is your business?—A. I am editor and western manager of the Chicago Produce News.

Q. How long have you occupied that position?—A. For six years.

Q. Here in Chicago during all of that time?—A. Yes, sir.

Q. And prior to that time where were you?—A. I was at New York.

Q. With the same concern?—A. With the same concern.

Q. How long?—A. Several months.

Q. During the past six years by reason of your position with that paper have you had occasion to keep in touch with the market on poultry and eggs and cheese and butter?—A. I have, very closely.

Q. You have done that very closely, have you?—A. Yes, sir.

Q. Were you acquainted with a concern in Chicago by the name—that goes by the name of W. F. Priebe & Co.?—A. Yes, sir; I am.

Q. And did you know that that is a subsidiary of Swift & Co.?—A. I do.

Q. What do you know about the history of that concern?—A. Many years ago, several years ago—say 10 or a dozen years before I was at all interested in the produce game, W. F. Priebe operated as the Priebe Simater Co., Chicago, with a great many branch houses and packing houses throughout the country, on his own hook. Before the time that I was interested in the produce—I became interested in the produce business, that concern failed, due to several bad years and what was supposedly very keen competition from the beef packers. After that time it was reorganized as the W. F. Priebe Co., and according to common knowledge and common rumor this concern was owned entirely by Swift & Co. and was always considered in trade circles as being entirely owned by Swift & Co., and dominated by its policies. There are many incidents that would give rise to such a supposition.

Q. Including the incident which has come under the observation of the Federal Trade Commission of an answer to questions propounded to Swift & Co. showing that Swift & Co. own 100 per cent of the stock of Priebe & Co.?—A. Yes, sir.

Q. Now, I wish you would give us your understanding of the condition in the poultry business during 1916 and 1917, and what effect, if any, was had upon that by any regulations that were made by the Food Commission.—A. The storage season of 1916 commenced as usual in September. The poultry crop was unusually large and the amount available for killing—that is for consumption—was larger than usual because of the rapidly advancing market in grains, which made poultry a rather expensive thing for the farmer to hold.

As a result there was put into storage during the fall of 1916 and the first two months of 1917, which comprise the storing season for poultry, from September to the end of January, or the middle of February, an unusually large crop of poultry. In fact, the holdings of poultry on January 1, 1917, were larger than ever before.

We took the inventories of these different plants as of that date, and Mr. Neumann was entirely correct, they were larger than ever before, and the Federal Trade Commission can furnish full inventories to the committee if you want them.

Among the largest holders of this poultry in storage were the beef packers. But there were a great many independent operators that were very heavily interested. In fact, I would easily say that the independents as well as the beef packers were holding a great deal more poultry on the first of February, 1917, than they had ever held before, due to this enlarged crop.

Now, in accordance with their usual custom, which works on a five-year average rather than on the single year, and on account of their great amount of money, the packers decided that they would sell. They sold a great deal of their poultry. And the independents held on to theirs, as they figured with the meatless days which came later, and with the conditions of the high price of feed and a promise of the short crop following the large crop, they would be able to get their money back.

On the 1st of September, 1917, there was still quite a surplus of poultry in storage, as shown by the Government reports. That was the beginning of the storage season for new poultry. No new poultry began to come in. Where they usually stored broilers the latter part of August and early in September there was no poultry available for storage.

And immediately the ideas of the large operators in the business that the 1917-18 crop would be short were confirmed, and all the poultry up to the time of the 1916-17 crop had been sold out of storage was sold at a good-sized loss, but operators who had poultry still on hand began to see visions of getting back what they had lost on the poultry they sold prior to September and on what they still held, if they were permitted to market it according to conditions.

The beef packers, Swift and Armour mostly, because they are the big operators in the poultry business, with their packing houses in the country, did not care to hold on to their 1916-17 poultry, for the reason they expected their packing houses in the country to pack new poultry.

By the way, Swift & Co. and Armour & Co., combined, have over 1,500 buying houses scattered throughout the States where poultry is raised, particularly Illinois, Indiana, Missouri, and those neighboring States, and of those some 1,100 are Swift's and a little less than 300, as I recall it, Armour's, maybe a little over 1,100 are Swift's, and up to the time Armour acquired Kinnemouth Co. a short time ago, up to that time there were only four towns in the 1,500 and odd, where they both were in the same place with any buying agencies, and since Armour acquired Kinnemouth he has acquired 24 other towns, so there are 29 now out of about 1,500 and odd where they are in the same place buying.

The small operators in Chicago had bought the 1916-17 poultry and who realized it was just as good as the 1917-18 did not have to go out in the open market, if he were permitted to hold on to the surplus that he had stored the year before. Since he would have—and in that way he would have enough of the 1916-17 poultry to supply his 1917-18 trade. Whereas the beef packers, with their new crop coming on, as they control the country situation a great deal, wanted to get rid of the 1916-17 poultry, and had and did sell at a loss.

Now, when the situation came down in the fall, Mr. Priebe saw this condition and he came to Chicago for a conference with the poultry trade.

Q. As the representative of the Food Administration?—A. As the representative of the Food Administration. He called the men together and talked over the situation and finally decided on another conference to be held in New York.

At that time Mr. Priebe said:

"Gentlemen, there is at the present time, according to the Government figures, an unusual excess of poultry now in storage. Now, we must use some means of getting that out into consumption. I last week visited several banks and bankers in the city of Chicago and advised them as a means of forcing this poultry into consumption that they should call the loans on this poultry."

Later, after they called a conference, Mr. Priebe denied in a letter that he had ever made that statement about going to see these bankers, although seven or eight eyewitnesses, each confirmed—seven or eight people who were present at that conference each confirmed to me that he did make that statement just in that form, that he had been to see these bankers in the city of Chicago and advised them to call the loans on the frozen poultry held by the independent operators as a means of forcing the poultry into consumption.

Q. Well, he would not really have to go around and see the bankers, would he? If he took it up with Swift and Armour and Morris, it would be sufficient?—A. Oh, no; Swift and Armour and Morris had nothing to do with the poultry owned by the independents.

Q. I know; but haven't they something to do with the banks?—A. Well, I don't know whether he considered that necessary or not. And I don't know just what control they have of the banks. But, suffice it to say, he went to see these bankers.

Q. Well, I was basing my statement on an article I saw published in the Examiner here at the time the English Government seized a lot of dressed beef, etc., that was in ships going to neutral countries. The Examiner published an article showing the banks in which Armour and Swift and Morris were interested, and warned the British Government they would not be able to get a loan in this country which they were then negotiating if they tread on the feet of the packers. And Mr. Forgan and several other prominent bankers were interviewed—

That is an error. Mr. Forgan was in New York, but the vice president of the First National Bank was interviewed.

And Mr. Forgan and several other prominent bankers were interviewed—if the Examiner's story is true—and confirmed this idea, that it was a dangerous thing for the British Government to do. That was the only reason I made the suggestion to you, Mr. Neumann. I didn't know but what—A. I don't know just that angle of it. I realize that the packers are more popular—

Q. I have a few other—A (continuing). Are very strong with the banking interests. Now, do you want me to go ahead?

Q. Yes; go ahead—A. Mr. Heney, well, after that conference, the poultry trade, in talking the matter over, saw and brought to Mr. Priebe's attention the condition of the scarcity on the 1917-18 crop. But meanwhile Mr. Priebe had gone to Washington and issued his first ukase, which ordered the turkeys to be moved, half of them by December 1 and the other half by January 1. In other words, the entire 1916-17 crop of turkeys had to be out of storage by January 1, 1918. And his other ukase ordering all other varieties of frozen poultry to be out of storage by March 1, 1918. And at that time—this was in September—the bulk of the 1916-17 poultry in storage was owned by the independents.

Q. Do you know how much Priebe & Co. owned in storage at that time?—A. They had—they were practically sold out, according to common reports.

Q. Well, I may say for the benefit of the record that they were absolutely sold out, according to their own inventory as secured by our examiners, and Swift & Co. had come down from 19,000,000 pounds to about 3,500,000 pounds.—A. Such was the common idea.

Q. Now proceed.—A. Well, according to your own figures, Mr. Examiner, then 95 per cent of the holdings of poultry in storage on September 15 and October 1 belonged to independent dealers.

Well, now, then, do you know what percentage of the poultry of that stock, was handled by Swift & Co.?—A. Not exactly; but according to estimates we have from the country—we have to get our reports from small shippers, such as you had here yesterday talking to

you—Swift & Co. handle 30 per cent of the Missouri, Iowa, Oklahoma, and Texas crop; that is, with their subsidiaries.

Q. We have a report to the effect that it was 85 per cent of the total crop of the United States handled by them.

There was a letter taken from the files of Swift & Co., which appears in these public records, where Swift & Co. wrote to Priebe & Co. and said that Swift & Co. do some poultry business now under the name of Swift & Co. in addition to what they did under Priebe & Co., and Swift & Co. had written Priebe as an official of the Food Administration and said, "We have shipped some of that 1916-17 poultry to our branch houses, and we can not dispose of it by March 1 in the ordinary course of business. Will it be necessary for us to do so under the order?" And Mr. Priebe wrote back and said, "No; the purpose of the order was to get it out of the original hands, and you can sell it in the ordinary course of business at your branch houses, notwithstanding it takes it beyond March 1."

My comment on that is this: The excuse they gave for the order, in the first place, is that poultry deteriorates, and if it deteriorates it would deteriorate just as fast in a branch house and in a second hand as it would in a first hand; and, moreover, a branch house is first hand. Shipping it from Chicago to a branch house, putting it into second hands. And Mr. Priebe's letters of this very date, written by himself to Taton, his manager in Chicago while he is away, voluminous correspondence, including a letter saying that telegrams should be sent to his hotel, because if they went to the Food Administration they might be opened and read by others; that entire correspondence shows that Mr. Priebe was using his knowledge of this situation to himself to instruct his Chicago house what to do in the way of buying, and to what extent, and when, and stating the reasons why he thought the money would be made out of it.

Mr. MONTAGUE. You say those letters will be produced?

Mr. HENRY. Yes; those letters will be sent down to be placed in the record.

Mr. MONTAGUE. You are through, then, with your present statement?

Mr. HENRY. Yes. The witness proceeds.

A. Well, that is—that would seem somewhat high to me, but it may be a fact if their subsidiary companies are taken into consideration.

Q. Do you know how much poultry was shipped abroad during that year?—

A. Well, I am not as well posted on that as was our New York office, which takes care of our export end of it entirely.

Q. Yes. Well, now, what more can you tell us about the situation?—A. Well, that was the result of the first conference. Of course, the Independents protested against the Priebe action, or Priebe ukase, ordering this poultry out of storage. They appeared—they went to Washington on several trips and saw Mr. Priebe, tried to convince him that the shortage of the 1917-18 crop would more than fill out the excess holdings left over from 1916 and 1917. And the facts of the figures since shown have proved this to be a fact, only the shortage was even greater than we had anticipated.

There was an attempt made to get the time for handling poultry—for handling the 1916-17 poultry—extended. A conference was called in Washington on the 6th of January, I believe—I am not so sure of the date—and at that time there was present the principal holders of frozen poultry throughout the country, quite a delegation from Chicago, quite a delegation from New York, and Mr. Priebe. And the impoultury was put before him. After talking over the plan was drawn up extending the time on some

rest of it to May 1. And the conferees came home pretty well satisfied that such would be the ruling of the Food Administration. They were rather surprised and chagrined to find two weeks later that Mr. Priebe wired another ukase saying that the poultry would have to be moved, as originally planned, on March 1.

At that time the bulk of the storing of the 1917-18 poultry had been done. By that time it was pretty well evident just how much poultry would be stored. And at that time Swift & Co. and the Priebe Co. and the packers and their friends had loaded up all the poultry they could get. And I am sure if we had a Government storage report showing the holdings to-day, with the owners, that the packers own at the present time 90 per cent of the 1917-18 frozen poultry in storage.

Now, Mr. Priebe had a way of telling just how much of this poultry there was, where no one else in the United States had. Every operator gets from the Bureau of Markets of the United States Department of Agriculture, of which Mr. Charles J. Brand is chief, on the 1st and 15th of every month, a report of the holdings from frozen poultry of various kinds—turkeys, fowl, roasters, broilers, miscellaneous poultry—with a comparative statement of a month ago and a year ago. But that statement does not state when that poultry was stored, whether it was 1916 poultry or 1917 poultry.

But in addition to that report Mr. Priebe, as a member of the Food Administration, gets from each owner of frozen poultry the amount of each kind of poultry in storage, together with a statement as to when it was stored. And Mr. Priebe has been checking up and has been sending out letters each month "On the 1st of last month you had so and so many pounds of broilers in storage. According to our order, 30 per cent of this should have been moved by January 1. This has not been done. Will you please see that your next report will show so and so much out of storage?"

In that way Mr. Priebe knew at the time of both of these conferences just how much of the holdings of frozen poultry were 1916-17 crop, and how much were 1917-18 crop. He also knew who owned them and how much each operator owned.

Q. Now, the Brand report does not show who owns them or how much is owned by any individual—

Mr. RAYBURN. What is the Brand report?

Mr. HENNEY. That is the report he has just stated was issued.

A. No, sir; or whether it was last season's or this season's poultry.

Q. Yes.—A. In other words, the only man in the United States who had access to reports legitimately—now I don't know whether he imparted them to others later—but legitimately had access to reports showing how much poultry there would be in storage on March 1 was Mr. W. F. Priebe.

Q. And Mr. W. F. Priebe is the general manager of W. F. Priebe Co.?—A. Yes, sir.

Q. Owned entirely by Swift & Co.?—A. Yes, sir.

Q. And engaged in the business of poultry?—A. Yes, sir.

Q. And drawing a salary down to date, I may add, so the records show, of \$275 a month, plus 25 per cent of the net profits of Priebe & Co. after paying 7 per cent on capital.—A. Well, such is our information, too.

Mr. HENNEY. That 25 per cent is a very large amount of money. Priebe & Co. have grown from a very small capital to a large capital on its earnings, putting it into surplus, and turning it into capital.

Mr. MONTAGUE. It is your contention that Priebe & Co. and Swift & Co. are the same.

Mr. HENNEY. The returns of Swift & Co. show they own the full 100 per cent of the stock of Priebe & Co.—their return under oath—and Mr. Swift admitted it over here at the Senate committee.

Mr. SANDERS. He also stated it here before this committee.

Mr. HENNEY (continuing reading):

Q. Is there any regulation issued by Mr. Priebe that had to do with the amount that could be loaned by cold-storage plants on poultry?—A. Yes, sir; there was.

Q. What was that?—A. The regulation was that no more than 70 per cent of the amount of the value of poultry, butter, or eggs could be loaned by a storage-house to a storer.

Q. What had been done the year before, or the storing season before, in regard to that, if you know, contrary to that?—A. Well, in the storing season before the man whose credit was good could loan—a man who had good credit could loan 90 per cent, and if his credit was extra good he could loan 95 per cent of the value of the poultry.

Q. You mean borrow?—A. Borrow; borrow 95 per cent of the value of the poultry. If his credit was no good, he could not borrow as much.

Q. There were instances in which the independents borrowed not only 100 per cent, but the cold-storage plants put up the freight in addition for them?—A. That is a fact.

Q. Were there not?—A. Yes, sir.

Q. Now, then, this rule came in at the time when the independent was having his fingers burned by the fact that he had been carrying poultry at a loss; the market price would not have pulled him out?—A. Yes.

Q. And he was carrying it over to meet the shortage that was coming, in the hope of pulling him out? Now, with his fingers burned, he was not prepared to hold on the new crop of the year coming in?—A. Yes, sir.

Q. And if they limited—the cold-storage plants were limited on the amount they might loan—A. That is a fact.

Q. To 70 per cent, there was not a particular limitation on the amount of money that Armour and Swift Co. could borrow to buy poultry?—A. Well, they borrow in a different way. They borrow from banks en bloc, millions and hundreds of millions. I don't know just exactly.

Q. So that regulation did not affect them at all?—A. Not at all, because they don't borrow from the storage houses.

Q. It did not affect Priebe & Co.?—A. No, sir; they never borrow from the storage houses.

Q. Well, all these regulations brought down the price of poultry to the consumer, didn't it?—A. It did not.

Q. No?—A. The law of supply and demand regulates that.

Q. I see.—A. The only tendency, it did bring down, it brought down the price of poultry paid to the farmer, as there was less competition in the buying of the 1917-18 crop of poultry than there has ever been.

Q. And left the consumer to pay even on meatless day—Christmas fast—on a Tuesday—higher for turkey than he has paid in—well, in our lifetime?—A. Well, that is a fact; Yes, sir.

Q. Can you give us the names of the—you say a half-dozen men confirmed to you that Mr. Priebe made the statement that he had gone to the bankers and advised them to call their loans on poultry. Can you give us the names of some of the men who were present, or have you any reason for not calling to?—A. Well, I don't think these men—I would not want to put that into the record without the permission of those men.

Q. I see.—A. As those men have to, at certain times of the year, do business with these packers.

Q. All right.—A. And their working license is under Mr. Priebe's department.

Q. I think that is a good reason.—A. I could give it to you privately. Mr. Heney, for investigational purposes only.

Q. Well, if it becomes—well, you have given them to me already, haven't you?—A. Yes, sir; I have.

Q. So that the Government—A. Could check up.

Q. Could get the witnesses, if necessary?—A. Yes, sir; they can.

Q. When are the contracts made mostly for the poultry; that is, that they start to store in September?—A. Do you mean the contracts for the purpose of the contracts for the sale?

Q. For the purchase of that; yes.—A. Well, the contracts are made as early as August.

That is as far as I care to read on the subject. Mr. Neumann was on the stand a long time; he testified quite at length on the whole subject; and he is one of the best-posted men outside of the business itself there is anywhere in the United States, I guess.

Mr. RAYBURN. Have you anything to say about the law Mr. Glasgow referred to that requires it to be out in a year? What effect does that have on it?

Mr. HENRY. That is the Food Administration law? No; I never looked at it.

Mr. RAYBURN. You referred to the statutes of some of the States.

Mr. HENRY. They had nothing to do with this, because there was not a State statute that had any effect on this question, unless in that particular State it affected it. This was an order that was issued by the Food Administration under its general powers, and what Mr. Taft held was that one provision of that he construed against hoarding—I think it is the hoarding provision—he construed that it would be carrying it over beyond the season of scarcity to another one, and I would be inclined to think he is right in his construction of the law, but that does not seem to affect this question.

It looks to me as if Mr. Glasgow had brought his record in here in such a way that it would appear that that was the real reason it was done; but if the first letter to Taft was October 31 and this order was made September 15, it is perfectly obvious that that was not the reason for it, and up to the time of that letter there was never any such reason advanced by Mr. Priebe himself at any of these meetings or conferences.

Mr. RAYBURN. The only point that you are seeking to make is that Mr. Priebe was acting through an interest he had in it and not caring so much about the statute.

Mr. HENRY. Yes; it is not intended to be an attack upon the Food Administration, and it is not intended to be an attack upon Mr. Priebe. The purpose I had in bringing it out, we were investigating the packers' manipulations and activities in trying to monopolize the market, and clearly this bears on that question.

Mr. MONTAGUE. I did not hear Mr. Glasgow's statement, unfortunately. What is the precise controversy between you and him, if you can state it in a moment?

Mr. HENRY. In substance, he came before the Senate committee and then, subsequently, came over here—came before the Senate committee and said that in justice to Mr. Priebe he thought he ought to produce the records as he found them in the office, and he showed the beginning letter to be the letter, dated October 31, 1917, from Priebe to Robert Taft, of New York, who was acting as one of the attorneys for the Food Administration, asking him whether he thought it was lawful, under the Food Administration act, to hold poultry over to a second season of scarcity; and then, a letter, dated November 1, the next day, in reply from Mr. Taft, saying that, in his opinion, it was a clear violation of the second section of the food administration law; and then, on November 15, the Food Administration, through Mr. Priebe, had issued an order that 30 per cent of the poultry should be out of cold storage by January 1, 30 per cent by February 1, and the balance by March 1, and that that was a complete record as he found it. Then, I made the point that that was not the complete record that had been made; but it was that the order had been made September 15 by Mr. Priebe, long prior to that letter, and that the effect of that order was to ruin a large number of small dealers, decrease the price of the new pack that was coming in by throwing this cold-storage stuff on at any price they could get for it, because they had to get rid of it and

it had to be sold at a loss and by making them lose this money at the same time that they were losing this money the new pack was coming in and they were not in a position to buy the new pack, therefore, the big packers could take practically the whole of the new pack and, as stated by Mr. Neumann, there was less competition for the new pack than at any time he knew of.

Mr. SANDERS. If you will pardon me, the contention both before the Senate committee and this committee was this: That Mr. Glasgow started with the 31st day of October letter to Mr. Taft, when, as a matter of fact, the first order issued by Mr. Hoover was on September 15 and that, in your opinion, was where he should have started?

Mr. HENNEY. Yes; and because Mr. Glasgow on the theory he did not find the rest of it when he came to the Senate committee—I say there can be no excuse for him coming before this committee with that same record when I called his attention to it and insisted he should go back and get the remainder of the record.

Mr. RAYBURN. I think, if you have the time—and I think it would be profitable even though your time is short, to look at that from another angle. I do not agree with Gov. Sanders that that was the main point in Mr. Glasgow's testimony, but that is the main point of difference. I do not agree with that, and I want to present this proposition. Mr. Glasgow laid stress on this, admitting that Mr. Priebe had a desire—that is, I do not mean he admitted it, and I do not pretend to quote him exactly, but admitting Mr. Priebe had a desire to be friendly to those with whom he was associated or had been associated with, Mr. Glasgow laid stress upon the fact that Mr. Priebe was not in a responsible position that would enable him to issue any order of any character; and that Mr. Priebe did make these suggestions as to the question of hoarding of poultry and also as to this other question, which, I presume, you are going to take up, of credits, and Mr. Glasgow laid stress upon the fact that whatever may have been Mr. Priebe's motives, the people in the Food Department, that finally determined that question, either rightly or wrongly, based it on one proposition practically, that it was not good for the consumers to have poultry in storage more than one year, regardless of what effect it would have on men who had speculated in poultry. In other words, he laid stress upon the fact that whether they were right or wrong, the Food Administration men in authority, passed on Mr. Priebe's suggestion, reached their conclusion from a standpoint that it was a bad thing to have chickens in storage more than a year, and cited as a proof of that—well, they acknowledged that in some States they have statutes that make it a felony to keep it in storage over a year, and I think he cited that Swift and some of those people were indicted in New York.

Mr. HENNEY. Armour.

Mr. SANDERS. In Massachusetts.

Mr. RAYBURN. And I do not think that Mr. Glasgow, at least over here, intended to spend much time defending Mr. Priebe, he laid stress on the fact that—well, as he closed the statement here he said that right or wrong, he said, "Gentlemen, you may dispute whether we have used good judgment, but the men in authority over there in the Food Administration have tried to do ——— have done with an

eye single to one thing, that is the good of the country," and I do not think there is much disagreement between you and Mr. Glasgow.

Mr. HENEY. Let me repeat that I do not want to be put in the attitude of charging that the Food Administration, Mr. Hoover, was acting in bad faith in this matter at all. This testimony is directed at the activity of Swift & Co., and whatever Mr. Glasgow may say, Mr. Glasgow was not there when these discussions took place, he had not come to the Food Administration yet, and it is pure hearsay on his part, and he and Mr. Hoover came to that meeting in the Federal Trade Commission office, and Mr. Hoover, as I recollect it, there stated—although I will not be absolutely positive of my recollection as to that—that it was Mr. Priebe himself who had told him that this resolution in Kansas City indorsing him was unanimous, and as Mr. Priebe had attended that convention, and as Mr. Hoover had talked with Mr. Priebe about his connection with Swift & Co., and this entire matter that was being brought out in Chicago, it is natural to believe and presume that it was Mr. Priebe who told him, and if Mr. Priebe did tell him that, Mr. Priebe did not tell him that was true, and I thought when Mr. Hoover found out that Mr. Priebe had not told him what was true it would check his confidence in his other statements, because there was one that could be checked up on absolutely.

Mr. RAYBURN. I want myself understood. I am not taking issue with you about Mr. Priebe.

Mr. HENEY. I agree with you in your position.

Mr. RAYBURN. I am of the opinion that if Mr. Hoover had had a lawyer like Mr. Glasgow there at the start, Mr. Priebe would not have lasted so long.

Mr. HENEY. I would have thought so, too, until Mr. Glasgow interjected this disingenous proposition, coming over here with that record as being the complete record in the case, in the face of my statement before him in the Senate committee that it was not complete. You may say what you please, he was here to defend Priebe.

Mr. RAYBURN. No; Mr. Heney, I never saw Mr. Glasgow, and do not expect to see him—

Mr. HENEY (interposing). Then he took the angle that it was an attack on the Food Administration, and if he did, even after that, fairness required the entire record be produced.

The CHAIRMAN. The impression made on me by Mr. Glasgow's testimony was that he was replying to Mr. Lassater—he referred to him all the time.

Mr. HENEY. But in the Senate committee he did not refer to anybody but myself, and I was there examining him after he made his statement, and all I did in the way of examining him was to ask him how much he knew about that record because he said, in justice to Mr. Priebe, he had gotten the entire record, and he presented that as the entire record. Now, I say that that is all right, that whoever he told to get that record up for him may not have given him the whole record, but when he came over here he knew that there was at least a question as to whether that was the whole record and it was not fair to pretend that as being the whole record if it was not.

Mr. RAYBURN. That is merely a matter of opinion, Mr. Heney. I am inclined to agree with you, but still I am not willing to admit, and I do not know as it is important whether I admit it or not, that

is the gist of it. I think you have made out your case that this man Priebe was trying to put something over on the Food Administration. Now, then, whether Mr. Hoover was too busy to attend to it or not is one matter; I think he ought to have been fired, from what you say.

Mr. HENEY. Mr. Hoover had a mighty big job on his hands and no one man could attend to the details of that job. It was too big for any one man to attend to the details, and he had to pass along to subordinates the power to act for him. There is not any question about that.

Mr. RAYBURN. And it goes to prove what you said, to wit, that the regulated often comes to regulate the regulators.

Mr. HENEY. Yes; and Mr. Priebe again was a man in power and is recognized as probably the ablest poultry man in the United States, as the records of Priebe & Co.—of their profits—would indicate, and naturally, now, while they talk about somebody else determining the regulation, they would get their advice from Mr. Priebe, and in one of these letters that Mr. Priebe writes—that will be put in the record—he says, “After I got back to Washington this morning from Chicago, I find myself with still more power than I had before; I have got so much power that I feel like a boy in a great automobile,” and he says, “I am able now to regulate such and such a thing, and the next thing I know, I will be able to dictate what people shall have for breakfast,” or something to that effect.

Mr. MONTAGUE. Did that go to the hotel or to the Department?

Mr. HENEY. No; that he wrote himself from here out to Mr. Tatham.

Mr. SANDERS. Before we get away from Priebe, Mr. Glasgow made this statement, that after examining into the entire matter that he felt he could not discharge or recommend the discharge of Mr. Priebe without reflecting upon an honest man.

Mr. RAYBURN. I believe he did say that.

Mr. HENEY. Yes, he made that same statement before the Senate committee.

Mr. RAYBURN. I remember that. I shall have to modify what I said. I said Glasgow was fearful at the start that Priebe would not last. I am afraid he put it over on Glasgow and Hoover, too.

Mr. HENEY. Thereupon I requested the Senate committee to send for this correspondence, from which it could judge for itself, and if you will read just about three letters there that were written by Mr. Priebe, you will find that Mr. Priebe himself has proven everything that was stated in the testimony, practically everything that was stated in the testimony, of Neumann about himself.

Mr. RAYBURN. In connection with this subject of the regulated regulating the regulators, if you had been Food Administrator, where would you have gone to get somebody to regulate poultry business; would you not have had to get a poultry man of some kind?

Mr. HENEY. Yes.

Mr. RAYBURN. You would have had to get Priebe or else an independent?

Mr. HENEY. Yes.

Mr. RAYBURN. That is what makes it so hard to do that business, is it not?

Mr. HENEY. Yes; or go to the newspaper men who have been in the business all their lives, like Neumann or Preston. They know

just as much about poultry as the dealers do. They spend their whole lives right down on the street. If you want to find Neumann you have to go down on Water Street.

Mr. SANDERS. You mean a trade-journal man?

Mr. HENEY. Yes; I mean a produce news man.

Mr. RAYBURN. That is a pretty good suggestion to make. Still, sometimes these fellows who write about things all their lives are not really practical.

Mr. HENEY. I am inclined to think that a man like Lightfoot, who operates some 30 or 40 plants himself, who successfully withstood the competition of the big packers, is a man who could handle that job, and that there would be much less danger, the danger of monopolization, with the start that Swift and Armour have in the poultry business—the danger of monopolization would be avoided at least by taking an independent, and for him to learn Swift's business would not amount to anywhere nearly as much as for Swift to learn his, because he has not the money to make the information worth much.

AGREEMENT ENTERED INTO AT CHICAGO THIS 17TH DAY OF JULY, A. D. 1914,
BETWEEN W. F. PRIEBE CO., A CORPORATION, AND W. F. PRIEBE.

The W. F. Priebe Co. hereby engages the services of W. F. Priebe as manager of its business, which employment said W. F. Priebe accepts, according to the following terms, which are mutually agreed upon:

Salary, \$275 per month.

It is further agreed that W. F. Priebe shall share in the profits or losses of the business to the extent of 25 per cent, after deducting 7 per cent of the amount of capital stock and surplus employed in the business, subject also to the usual charge for depreciation on buildings, tools, fixtures, etc.

Settlement for profit and loss shall be made at the end of each fiscal year, which is March 1. If, however, in case of discontinuance of employment during the year, through whatever cause, settlement for profit and loss shall be computed to date of discontinuance upon equitable basis.

Contract of employment shall continue so long as mutually satisfactory and shall be subject to discontinuance on 90 days' notice from either party.

Witness the signatures of the parties the day and year first above written.

W. F. PRIEBE Co.

E. W. PRIEBE, *Secretary*.

W. F. PRIEBE.

WASHINGTON, D. C., *September 7, 1917.*

Mr. C. C. TATHAM, *Chicago:*

Arrived here on time and worked hard all day with the warehouse men on cold-storage matters, and think have that done.

I haven't seen anyone or have had time to think. Hope to be able to know in day or two just what's what regarding the future.

Note Spgs. 21. I don't believe they will be much lower for two or three weeks, either. These spgs. I believe now worth the money, but am afraid of the old hens from now on.

Continue to send wires to the hotel, as coming to the administration they are opened and everyone can read them.

Weather very pleasant just now.

Yours,

W. F. PRIEBE.

WASHINGTON, D. C., *October 11, 1917.*

Mr. C. C. TATHAM,
Chicago.

DEAR SIR: I have your letter of the 9th, and note with interest all you say. I want to say on eggs that I had an interesting talk with one of the large distributing houses in New York, and he makes the statement that he believes

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that fresh eggs, or eggs that can be sold as fresh, will be considerably higher, due to the new laws that they are enforcing to some extent that all storage eggs be branded as such and as soon as the present accumulations are cleaned up that fresh eggs will sell better, so I believe we will be able to move those we put into storage past week and also the fresh you have on hand will bring more money. Storage eggs, however there is nothing much in sight but trouble for the next four weeks, then it will be weather.

One feature on poultry that is interesting, in New York, New Jersey, and Massachusetts, the law provides that when the time limit of 10 months is up the good must be removed or reinspected and a permit obtained permitting the holding of same another 90 days. I know of several million pounds that are going to be pressed for sale next six weeks, and believe we will sell considerable lower prices on frozen poultry, for I have reason to believe that the pressure to sell this poultry is that the banks will not loan money on out-lawed poultry, fact is every one is bringing pressure to bear to have this go into consumption, this is bound to influence market values on fresh, and my advice is to take the atoning orders and the balance put into the freezer, for I believe poultry this year will be lower November 1 than middle of December.

At time of writing it looks to me as though I will be with you Saturday and remain most of next week, but will let you know definitely as soon as my plans are made.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., October 11, 1917.

Mr. C. C. TATHAM,
Chicago.

DEAR SIR: The tissue letter inclosed; I am sending copies to all our fellows, and you will understand why I am writing that way. I do know that there is pressure by the banks and storage houses to take up loans on this outdated poultry.

I believe you will have no trouble to get 40 cents for fresh eggs next week, for the hens not going to lay all fall, and there is good argument on this New York mans; I am quite sure that is what the Atlantic & Pacific have in mind buying the eggs they are buying. Fishback, of Nebraska, told me that he had eggs sold in New York last week at 37 cents.

I believe with the lower markets that we ought to be able to buy chickens—that is, springs—in Iowa, particularly Humboldt district, for 16 cents to farmers and 17 to shippers, and at that price, if we can possibly handle them, they will be good stuff to freeze. I also have in mind if it would not be good business to commence dressing at Waseca scalding the same out and freezing it. I don't believe that we will ever buy for less, and the quality will never be any better, so just think about this, if you agree with me you might instruct him to get ready for this next week. It will be loosing proposition to ship that stock alive.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., October 20, 1917.

Mr. C. C. TATHAM, *Chicago.*

DEAR SIR: Have your wire saying springs and hens 18 to 18½, which does not surprise me, but I am of the opinion that the farmer will back up to some extent and also that some of the dealers will get courage to buy and that prices will react to some extent, but there is no use talking that sentiment has changed and has gotten to my way of thinking. I want to advise now in the country not to go to extremes in reducing prices unless they are going to get more poultry than they can use, for I believe this poultry now is worth the money, and advise doing all the business that they can

I can't see anything new in the egg business, but that storage will have to work to a lower basis, and the lower now the better it will be for the general situation later.

Am going to Atlanta, Ga., to attend and represent the Food Administration at the Southern Poultry and Egg Association at their meeting Monday, and can not get back to the office here until Wednesday morning. I will be at the

Kimball Hotel, Atlanta, Ga., until Monday evening, and you may wire me there if anything wanted.

Yours, truly,

W. F. PRIEBE.

OCT. Am mailing copy of the above to most of the fellows. I feel awfully good of this break, and feel now that want all the business in sight, and hope that Schulze will get the Quincy business and those fellows get that Rochelle business; those fellows, including Schwartz, now certainly will be able to buy chickens at Chicago prices delivered in their feeders, and Grampp at Princeton the same way. I have been worried, but now feel better. I can't see that butter will be any lower, but believe storage eggs will be down to 30 cents or close to it by November 1, for there is a big pressure by banks to collect some of their money. This trip South is quite some trip; it's farther than Chicago; didn't realize it until got my ticket; of course, Uncle Sam pays the bill.

WASHINGTON, D. C., October 24, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: On my return to the office here find your wire about freezing these medium chickens instead of shipping in barrels, and inclose my reply.

I believe poultry is going too high; that is, on general averages, for there is no use talking, this thing is working out as expected, that all those new elements is having its effect in the way of curbing speculations by the usual fellows, and for that reason would not be surprised to see low prices for live poultry until after the holidays, and that all good poultry in the freezer will do some good, so advise to give what is wanted in the standing-order cars and freeze the rest, and would also advise to limit the quantity in the standing-order cars, for you know when things come Hurd's way he will place orders for 150 barrels in each car.

The inclosed other letter is copy of one am sending to all the fellows, just to let them know I am thinking of them.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., October 26, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: Your wire quoting hens 17 and springs 18 is received; glad to get this, for was afraid that markets would advance again, so all I can say is go to it; this looks good to me. The one thing I want to again impress on everyone is to buy these pin-feathery hens, what they are worth; let's not lose money on them as in former years. I still believe that there will be a reaction; that farmers will balk at this radical reduction; but one thing that in my mind is getting more evident every day is that owing to shortage of help we will be able to buy for less money, and hope everyone will consider this.

Understand your wire to say eggs lower, both fresh and storage. I believe these fresh eggs will do better East, and would do as suggested on the few cars stored last month. I have had at least 12 letters here to-day from points east of Pittsburgh, people showing that they lose money right along; had one man in from Pennsylvania who has 5,000 head of Leghorn hens, and he is a practical man; he shows losing about \$75 a month; prices that he has to pay for feed and what he is getting for eggs; he is getting 60 cents a dozen for them.

Had a delegation here from Chicago to-day, and they have the same experience that all others have. They came here with certain things fixed in their minds and go away with an entirely different feeling, and all glad they were here.

One important thing developed to-day, and that is the legal department has decided that anyone holding any eggs or butter or cheese in storage that is not engaged in the business is a speculator and liable to prosecution; and if you know, you tell them to dispose of their holdings.

You understand that I am mailing a copy of this to our fellows; don't know whether it amounts to anything, but just to let them know I am thinking of them.

Yours, truly,

W. F. PRIEBE.

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WASHINGTON, D. C., October 29, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: At time of writing this morning the mail is not in and don't know what you may have written Saturday, as I called at the Powhatan last night for letter, but none there.

I had a conference in New York yesterday with several of the large dealers from Boston, New York, and Philadelphia on the turkey business, and while there looked into the chicken business; also find that chickens are selling cheap; know that one of the packers that has a house in Oklahoma City sold No. 1 lot of their fancy milk-fed export-size chickens in boxes at 24 cents, and another concern (packer) sold almost a straight car of fancy milk-fed chickens in boxes at 34 cents, which indicates to me that the packers are not going to store many chickens; then also get word that freezer space is way short, so it looks as though chickens may go still lower. I had an idea they would not, but it's a strange situation to say the least; it makes me feel foolish; here you are selling barrel chicken for 11½ cents higher than these people selling box chickens for, and I am sure these barrel chickens you have sold the last two weeks have lost us money, this on account of high cost when they are bought.

I fail to see anything in this egg business but grief, but will write later in the day on this.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., October 30, 1917.

Mr. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: Have your wire that market is 17½ cents on hens and springs and that northern Iowa you are getting all the poultry you can handle at 15 to 16 cents delivered, which is good news, if they can get it dressed, so would go to it and handle all you can, but somehow I can't make myself believe that the farmers are going to sell at these prices when they get to husking corn.

Haven't heard from New York to-day, but yesterday their markets were lower, and with heavier receipts they may be still lower. It, however, is getting down to a storage proposition, and the question is, how much stock will be stored? There are a good many discouraging features; one is that we have close to 450,000,000 pounds of last year's poultry in the freezers to commence with, which is about 40 per cent of all that was stored last year—that's one; the other is several discouraging other features.

Eggs are getting scarcer; that is, fresh eggs; but storage were about 1 cent lower in New York yesterday, when I am told that the best Aprils selling for 33 to 33½ cents, although there are quotations for something fancy in a small way, but I can't see anything better until we see increased consumption and heavier withdrawals.

Still planning to go home Thursday and see you Friday.

Yours, truly,

W. F. PRIEBE

NOVEMBER 7, 1917.

Mr. W. F. PRIEBE, *Washington, D. C.*

DEAR SIR: As wired you, our market here is temporarily firmer to-day on both chickens and fowl, with light receipts. We are also getting lighter receipts over the territory; at the same time can not feel enthused on advancing prices, which would seem natural with most of the fellows in the country.

This frozen-poultry situation is a serious problem here right now and seems to be getting more acute every day, and just what is going to happen we can not say. Some of these fellows who have a block of poultry in the freezer are getting desperate. Also think the storage houses are somewhat up in the air. Believe this is going to have its effect in the country and will have a tendency to discourage any of our competition in advancing prices.

You will remember we took the matter up with Knowlton regarding advances through their banks, and attach herewith his letter which you will please consider confidential and return. Just a little sarcastic, I think. Have written Schweltzer we will be unable to do anything for him in Buffalo. However, hope he will be able to handle himself, for we have troubles of our own.

The egg market is in the dumps. The warehouse report came out this morning, showing a surplus of 645,000 cases, which is an increase over last month excess of about 100,000, and take the fellow who has both frozen poultry and eggs in the box, he is about ready to jump in the river. Aprils were offered in car lots at 31½, and 30½ cents bid. Fresh eggs, however, are firm; 41 to 41½ cents on anything that shows up decent.

The storage report on butter is about two million pounds excess, which is really less than the trade expected; therefore, think the butter will hold its own.

Regarding Humboldt, everything is cleaned up clean, and while receipts are light we are continuing to buy and will no doubt ship their poultry to some of our Illinois points. Believe this is better than to simply quit business for a few days. Will is out there to-day and will try and arrange to get some place to do business, so we will be ready when weather conditions permit.

Yours, truly,

W. F. PRIEBE Co.

WASHINGTON, D. C., November 7, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: I have your wire quoting higher markets for live poultry, which does not surprise me, for I am sure, when this stuff that was sold time of the snow is out of the way and that the farmers get higher prices for them is being paid just now, that receipts will be light. I wouldn't be surprised if all the fellows won't have their houses half cleaned up last of the week unless you have more stormy weather.

I don't mind what the general situation is going to be with this excitement on frozen, for understand that in New York they are compelling to take up all turkey notes.

Surprised at the decline in storage eggs; taking your figure they would show about 33 per cent more eggs than same time last year. I am of the opinion that they will not be any lower at present.

What's going to become of everyone with the frightful loss on last winter's poultry now on eggs and cheese; something will happen one of these days, so suggest to watch credits awfully close.

As wired you, am going to New York to-night and be back Friday morning; am going to meet Food Commissioner and Mrs. Heath, president of National Housewives League, to get their support to eat up these Thanksgiving turkeys.

Have wire from Texas saying that our action delaying dressing of turkeys until December 1 will produce 500 cars turkeys instead of 400 this month, and asking us if we can not fix the price of 25 cents for No. 1 turkeys delivered New York, and here are a bunch of fellows holding turkeys all summer asking 35 to 40 and selling none.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., November 9, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: Yesterday certainly was a busy day for me in New York. First thing I had a session with George Brown, representing the live fellows, then at 10.30 a. m. with the food commissioner of New York, Mrs. Heath, president National Housewives' League, and Mrs. Johnson, head of some other woman's society, and talked frozen turkey to them, and they are going to commence right away and urge all housewives to order and demand frozen turkeys; at 2 p. m. represented this administration at the convention of the cold-storage men; at 5.30 had the real show, for the morning I told Nathan Schweitzer to get a parlor at the Astor House and invite the dealers from New York at conference and they certainly were laddies—two from New York, four from Chicago—and talked awfully plain to them that these turkeys got to be moved; that next Monday we would have the name of every owner how much of last winter's poultry they had and how much turkeys, and that while we give some time to move the chicken and broilers, though there would be no trouble if they moved a certain quantity each month, but the turkeys must be moved right away. Naturally everyone excited, and predicted everything. Geo. Hinrichs said he was offering the best turkeys, Texas, at 30 cents and couldn't sell them and thought the market would go to 15 or 20 cents. I told him I hoped they would; in fact

it's only way they can be consumed. The fellows from Chicago were not invited to come; they happened to be there—in fact come to see what they best do; guess to see if they could get some one to pay the drafts. Will say that New York fellows led by De Winter said that, under the circumstances, it was right thing to do and the only thing that could be done. They finally passed a resolution that I took back pledging their loyalty and agreeing to cooperate with us. What will happen don't know, but they have got that 40 cents out of their mind and now hoping for 30.

I find the greatest feeling against the 70 per cent advancing; it's simply putting lot of big people out of business; that is, the stuff will have to be carried by the owners and delivered when these people can pay for it. The Chicago fellows showed some bitterness; they can't get it out of their minds that I have something to do with that feature; will say that I fought to retain it, for the opinion here was that storage people have no right to be bankers, and finally got a compromise at 70 per cent. At time of writing I don't know myself just what to do about our own business, but believe we will solve it in some way when time to think.

In evening attended the evening session until 11.40; the discussion was rules and regulations, and had to be in on this. Lot of these fellows seem to think that chickens will not be worth anything next week. I made statement that chickens were lower last week, before this was known, than they will be any time this winter, which I believe. So certainly put in a full day.

Yours, truly,

W. F. PRIERE.

WASHINGTON, D. C., November 9, 1917.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: Have your wire saying that Schweitzer refuses to take any more of the Sterling poultry unless you make a decided reduction in billing price, to which I replied to make no reduction, which I hereby confirm.

This limiting of loans to 70 per cent is what is causing trouble to Mr. Schweitzer, as well as others. While in New York yesterday I met Knowlton, of the Buffalo Cold Storage Co. He had been in conference before I seen him with Silz, Conrons, and Schweitzer. All three of these concerns store in the aggregate in normal seasons at least 10,000,000 pounds, for they represent the largest distributors in New York, and in former years storage houses would advance them cost. I have reason to believe that while in Chicago recently Mr. Schweitzer looked into this question of advances and did not get the usual encouragement, so went to Buffalo and got some encouragement, providing that it could be done; but since this fact has become known, that the storage houses can not advance over 70 per cent, it has simply put these people out of business, for Knowlton told me that he was going to comply with the law. I am fully convinced that this is the reason that Schweitzer is asking for a reduction.

The fact that the poultry of last winter has to be sold, and a great many operators in the country still own this poultry, the result will be that poultry will be purchased in the country at considerable less money than if conditions were as in former years, and if we are able to handle ourselves and finance our own business we are poor business men in not insisting on a reasonable profit; and if the stock can not be sold, hold it until after the packing season is over with.

While, as you know, I have not agreed with the majority about the shortage of poultry in the country, I do believe that crop is somewhat short, and with the forcing of last year's poultry into consumption and the effect of the limiting of loans, and the inability of good many storing on that account, and the consumption of poultry when prices meet the views of the consumer, my opinion is that when the storage season closes that we will have less poultry in the freezers than has been known for a great many years; in fact, will go on record now and say that storage stocks will not be more than 65 per cent of what they were last year.

You do what you can and see how we can handle the financial end of our business, which, of course, means the borrowing of more money.

If you can solve this, want to further recommend that you buy all the poultry that you can handle and handle right. Am writing our men to-day on this same subject, to increase their force by using all the women possible.

Yours, truly,

W. F. PRIERE.

(This in pencil in handwriting of W. F. Priebe.)

I suggest that you go and see Mr. Jackson or have him come down and take this letter. I am of the opinion if others agree with me that you will be able to get what money you need.

WASHINGTON, D. C., November 10, 1917.

Mr. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: At time of writing, 3 p. m., have not heard from you, so conclude that there is no change to-day in values; but on poultry I am convinced that next week you will all be short of poultry, unless it rains, for I am sure that farmers are going to be slow sellers at the reduced prices; also if the weather is good, all the men, women, and children will be husking corn, which is proper, and all that I can say is that I believe this poultry is worth the money, if properly handled, and believe this will be the case when you have only 75 per cent of your capacity.

Have word from fellows in Missouri that they are getting corn now that is dry enough for grinding, and am suggesting to them to add 24 per cent to the H-E feed, and want to suggest this Illinois feed in Iowa would go further than that, if corn is not dry enough to feed the chickens new corn say one feed a day, if you can get it, and on this subject want to say that I know of one feeder that takes shelled corn soaks it over night in buttermilk, and he says he never seen chickens fatted so quick, so you might try this out on one feed each day. Understand am mailing copy of this to most of our fellows.

I feel firm on the future on good poultry of course it may be that general demoralization conditions of the frozen may cause some setbacks also the fact that poultry men including ourselves can not borrow over 70 per cent of values, that this may depress values, but don't think it will to the extent of lowering values much.

I am of the opinion that we have seen the low point on eggs for this month, and that storage eggs will be no lower until next month good fresh eggs of course high and will possibly be higher but as we havent any such whats the use of talking about them.

Presume you will see all kinds of fool stuff in trade papers about the calling of loans on this poultry, and the hint or even saying that I am doing it, when the facts are I am doing all I can to keep them from calling them, but urging them to help get these turkeys into consumption. Its a great game to say the least.

Sorry that I cant be home at this time, and help during the busy season, but I cant. I certainly appreciate what every one is doing.

Yours truly,

W. F. PRIEBE.

Gee I would like to go home this evening, or be home, but this is better than being in France.

WASHINGTON, D. C., November 12, 1917.

Mr C. C. TATHAM, Chicago, Ill.

DEAR SIR: You wire to-day saying market 20 cents on hens and springs does not surprise me. I wouldn't be surprised to see them still higher for reasons have given before, and that is that farmers will not sell chickens at low prices when they are husking corn, and then again chickens are good to eat, and now that prices are down where they will eat them you are going to see firm markets until the next snow storm, and the thing to do is to go along, do the best you can, and if there is snow in sight put your price down.

No question that there is a lot of excitement in this frozen situation. Just what the effect will be hardly know; no one knows, and from all the advice I get I can pretty nearly say whether the other fellow has any poultry from last year or not.

I would buy all the chickens could handle and handle right. I am inclined to think that shippers will go slow.

I would not shade prices any to our customers. for I am firm as a general situation if we could only get this last year poultry consumed, for this stuff acts as a wet blanket, for it will hurt consumption.

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Am writing article for the press to-day about the high price of eggs—fine fresh white eggs quoted in New York at 80 cents. Presume these are selling for \$1. but storage selling for 33½ to 35 and retailing for 8 to 9 eggs for a quarter, and that I have no sympathy for consumers that want to buy the high priced eggs when the storage eggs have as much food value as the others.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., November 15, 1917.

Mr. _____,

DEAR SIR: The report of _____ shows that you have in storage in their warehouse on November —, 1917, the following::

_____ pounds turkeys.

_____ pounds broilers.

_____ pounds miscellaneous poultry.

packed before February 1, 1918.

We are advised by our legal department that the carrying of last year's stock beyond the present packing season constitutes a violation of section 6 of the food control act, which prohibits hoarding. The Food Administration, however, in order to provide for the equitable distribution of these foods to the consumer, are therefore informing all dealers that no action will be recommended by the Food Administration, provided that at least half the turkeys are disposed of before Thanksgiving and the remaining half before January 1, 1918; and provided, that the other poultry shall be disposed of before March 1, 1918—at least 30 per cent during November and December, 30 per cent during January, the balance during February.

We inclose herewith form report blanks, to be returned to this office on December 1, 1917, January 1, February 1, and March, 1918, respectfully.

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION,
By W. F. PRIEBE,
Poultry and Egg Section, Perishable Foods Division.

WASHINGTON, D. C., November 20, 1917.

Mr. A. B. COLE, California, Mo.

DEAR MR. COLE: Returned herewith morning, and certainly find a lot of work ahead of me, so much hardly know how to begin; also discovered more power. I am like a kid in a big automobile—don't realize the power until it is all turned on. Some of the fellows in Texas couldn't resist the temptation of buying some cheap turkeys; so am told to order them not to, under penalty, and if that did not stop it, order the railroads and express companies to place an embargo on same. Expect the next thing I will have power to tell everybody when and how to eat eggs.

I have your letter of the 17th. Will say that you are to put your license number on all summaries, purchase tickets, quotations, all your stationery, bills of lading, under your signature; as to your report on frozen poultry, Regan will mail you what we have in storage for you and you can report it.

I inclose letter from Mr. Stamper about a meeting held in Macon, Mo., last week, of 22 shippers from northern Missouri and southern Iowa, and you will note what he says about losses reported for October, one concern reporting have lost \$9,000. I want to say on that subject that this does not surprise me, for, with the prices paid 1st of October and what they got particularly, the live shippers paying 22 cents for live hens, shipping them East, and selling for 20 to 21 in New York; also dressed iced springs selling for 21 to 22 and dry packed at 23; for I was in New York at the time. Then egg dealers, as you know, paid last half of September, some of them, \$11.50; then shipped the eggs to New York on commission, and have them sell there for 37 to 37½, is losing money to beat the band. I think we ducked under pretty well on those eggs we stored and cleaned up. If it had not been for the law going into effect November 1, that all eggs being in storage 30 days and over having to be marked cold storage. I would have held them another 2 weeks; but fresh eggs branded cold storage kills them in a way.

Let's continue to play it safe, avoid losses, and on general averages we will come out ahead.

I notice that Swift is making quite a reduction in the country. The only trouble is that it don't last. They reduce the price, then find they are out of business; then they have to get poultry enough for their standing orders, and in order to get it have to boost the prices. Their intentions were all right; but it don't work out. But it is a fact that, with the money situation and the general situation, it is very discouraging to the average fellows storing poultry. Nearly all the South Water Street fellows have their feeders empty and not dressing. All of this has its bearing. Then the money question looms up more serious every day. I know where one concern sold to a packing concern 40 cars creamery at 40½ that they were offered 43 for four weeks ago, and they would not have sold had they not been called to take up their loans.

If it were not for this awful load of frozen poultry, and if this is consumed as intended by March 1, I am of the opinion that we will see the highest prices on poultry next spring ever dreamed of; but the more I get into this the more I see of it; fact is, one storage concern has 9,000,000 pounds. Just think what this means. I would not be surprised if there wasn't 40,000,000 pounds, all told. This, if carried over, would take the place of 80,000,000 pounds or over; for it would be tasteless and bitter and kill consumption of poultry of all kinds. How in the name of sense cold-storage people would allow themselves to get into that kind of a hole is hard to understand. It certainly is a reflection on this industry to keep all this poultry away from the consumer by asking too high prices.

Play the game safe, Mr. Cole, and let's not lose any money.

Yours, truly,

W. F. PRIEBE.

P. S.—One other peculiar thing about this frozen poultry is that these fools that have listened to such fellows as Murray and Emmerson should not want to lay their troubles to me.

C. C. T.: Sometimes our fellows think we are not getting enough for stuff; such fellows as Henderson telling Stamper how much smarter they are than we. I like to hear of these confessions, and think it's well to pass them along. I think, when everything is said and done, we keep them away from trouble about as near as anyone.

W. F. P.

Extract from letter of W. F. Priebe to C. C. Tatham, written from Washington November 22, 1917. The paragraph copied had a pencil line drawn around it.

I had a session with the war board this forenoon and this afternoon with Mr. Hoover's chief clerk on the question of providing facilities for exporting eggs, and think have that solved for 250,000 cases; but there is a lot of red tape connected with it. This exporting is all working out that everything going abroad will be bought here by one board; that there will be no individual buying or selling by dealers in the country with the dealers in England.

W. H. P.

April 20, 1918.

WASHINGTON, D. C., November 24, 1917.

Mr. C. C. TATHAM, Chicago.

DEAR SIR: Have your letters of 21 and 23 to-day, all noted.

Did not hear from you to-day by wire, so presume that your market is unchanged, at 19 for hens and springs, which is better than 20 and 21. I am rather of the opinion if you get rough weather that receipts will increase and market go lower.

Have word from New York that the freezers will be clean to-night on frozen turkeys and that Boston is likely to be; in consequence, everyone is happy. Have wires from Texas congratulating me on this outcome and the price range from 30-34 for good Texas stock down to 20 cents for the poor; and two weeks ago Thursday, when I had the dealers together in New York some of them had tears in their eyes because it would bust them up, for to force the turkeys would mean that they would sell for 10-15 cents. *This clears the atmosphere for December turkeys. We don't need to worry about this stock in the freezer.* Have letters from De Winter, who says just give us little time and a reasonable price and will clean up these chickens and other grades also.

I don't know of anything new, except that we are very busy; it's 9-11 every night, and certainly have big things on our hands. Have letter before me from a London concern who have about 4,000,000 of dried and frozen eggs in China. They want a ship, and are willing to install refrigeration in it just to get these eggs into this country; but we can't give it them, for if we had ships would use them to haul sugar from some of the southern countries.

Have letters galore from people having storage eggs, saying they will be ruined unless Uncle Sam comes to their rescue; but I don't see that we can do anything to help them; it really is distressing.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., November 24, 1917.

Mr. TATHAM: The other letter am sending copy to our fellows just to show them that am thinking of them.

No question that money is what's hurting Nathan S. My opinion is that if we can possibly handle ourselves that this is a good thing for us, for I can't get it out of my system that very little poultry is being stored compared with former years, and if this old poultry goes out poultry is going to be very high, turkeys going to run around 35 to 40 cents, and roasting chickens, 4 pounds and over. Chicago, Chris. Donter says the chickens will clean up the same as the turkeys have, if make a reasonable reduction below the prices of fresh, and I consider his judgment pretty good in matters of this kind, for the way turkey subject has cleaned up and his prediction the time I had the conference in New York he was the only one that stood with me, when he said that I was absolutely right.

These fellows in Chicago, I think, are trying to get the poultry journals—that is, these breeders—to protest against our ruling on the ground that dumping this poultry, as they say, will ruin the people owning this poultry, and that next year there will be no market for poultry, and nonsense of that kind. I am counteracting on this by saying that nothing will hurt the sale of poultry as much as having a lot of tasteless, bitter poultry to contend with all next summer, as this will kill consumption; people will cut out the use of poultry. That the best thing for poultry next summer will be the cleaning up of all this rubbish.

I want to say again that if we can possibly handle ourselves financially that we can make money on all the stuff we can put away now.

This light receipts in Iowa happens every year about this time. What I am afraid of is that our fellows will get buried should you have a little snow. I haven't seen any paper to-day, so don't know what temperatures are.

Yours, truly,

W. F. PRIEBE

WASHINGTON, D. C., November 26, 1917.

DEAR BOWMAN: My office hours are from 8 a. m. until 9 and 11 p. m. It's now 10.15, but will write you anyway. Might say I am not the only one; others doing the same thing.

About this export egg subject that is raising Cain with everyone, the situation is about like this: Eggs, with practically all commodities, are on the conservation list, which means they can not be exported without a license, and before getting a license several boards would have to pass on it, but last week I made a special offer to Mr. Hoover, and he issued instructions to permit 250,000 cases be exported without going through the routine of being O. K. by these different boards, but at that time I could not get anything regarding licensing, except that licenses must go their regular course, which means delay of from 6 to 12 days. To-day I wrote a letter in my office to War Trade Board and asked Mr. Hoover to sign it, which he did, to make a special matter of licenses in eggs, and believe by to-morrow will be able to wire you that you can wire us, and we will file the applications for you, unless it should develop that it might seem that we are doing this for favored ones, and show friendship or favoritism one of the things we have to be careful about. I know everyone is chafing, and all actually losing money by it. Have telegram sent to Hoover by Congressman Britten where McNeill and McIntyre had him wired to bring pressure, but this don't do any good; it all goes through the same channels. "Walter Shotwell" came up from Fla. on this same mission. Wish everyone was here. They would know a heap more than they do from a distance.

This egg business certainly looks bad. Brandt sent over his report for Nov. 15, showing withdrawals this year 17 per cent, while same time last year 22 per cent, and I thought November would show heavier withdrawals than last year, at "any rate" that eggs are going out in Boston. It will take to March 1 to get rid of them for Cochrane reports on hand there Sat. night, 251,508 cases, and withdrawals, 21,171 cases, so it will take 12 weeks at this rate, while everyone knows that after Christmas withdrawals drop off to beat the band. Sorry for the owners.

Word from New York that the frozen turkeys practically all cleaned up, so am getting requests from all sides, and the fellows there thought to force them they would go down to 10 to 15 cents, while they brought in good turkeys 30 to 34 cents, and cull down to 20, which is all they have ever been worth.

W. F. PRIEBE.

WASHINGTON, D. C., November 26, 1917.

DEAR HOWARD: Have your letter, it's now 10.45 p. m. but will try to acknowledge same anyhow. The position that I hold, it's rather delicate to write on anything pertaining to the question, indeed, for some things are always misconstrued; but I will say that your analysis is altogether wrong and no one brings up these questions in that way that decide this from a broad national standpoint.

The fellows in New York thought they were ruined when I told them that the turkeys had to be sold; some said they would have to be sold from 10 to 15 cents. Now, what has happened. Have word from one of the largest dealers there saying they haven't a barrel of turkeys in the freezer to-night, and the prices obtained is all that ever should have been asked for them; but the fellows tried to make themselves believe turkeys were worth 40 cents, and there they sat and tried to create sentiment to slip them over onto some one, and the consumer would stand for it. This same party writes: "Give us a little time, and the chickens will go the same way." In fact, these notices that we sent out—the owners are coming back some, or a good many of them, making out the report for December 1, showing that they will not wait until January 1. The quantity going into freezer is no doubt less than last year. One thing you want to remember, that last year altogether too much went in at too high prices. My advice to all is, make the public eat frozen (and they will do it if you make a price right), then, for every pound frozen taken out put in 2 pounds fresh.

I am making progress on this export matter and may have something to say to-morrow. You understand that practically all foodstuff now is on the conservation list; but I made a special appeal on account of the critical situation on eggs and this 1916 poultry—that special arrangements have been made to permit 250,000 cases of eggs to be exported, and all the 1916 poultry that can be sold, and this will be permitted. The only trouble now is the delay in getting the license permit, and, as stated before, am working on this with some hope of reducing the delay.

Walter Shotwell here to-day from Florida. He knows more than he did, and I wish you fellows were all here and see what all this means; you would realize that we are doing everything possible.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., November 28, 1917.

Mr. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: Have been so busy this week that haven't taken time to write you; in fact, there hasn't been anything much to write; conditions in the poultry trade about as they have been. Stuff don't go down very fast and don't believe they will, for I can't see anything in the general situation except that poultry will rule very high next spring and summer if this old poultry is out of the way, and it's being withdrawn very fast all over, and there isn't 25 per cent as much new poultry going in as last year, so I continue to advise to buy the stock as cheap as you can, sell what you can at a reasonable profit, and store the balance, providing that you can get the space and the accommodations; this will include fowl as well as other grades.

Am going to Boston to meet the people there at the statehouse at 10 a. m. Friday and Saturday in New York, principally to talk over the liquidating this old poultry; it will be easier for me to meet these New York people for the reason

that when I met them before and told them that they had to move the turkeys—if they did not, we would—there was bitterness, for it was the unanimous opinion that the public would not eat frozen turkeys, and that it would mean 10-cent turkeys. Now, then, have advices from New York and Boston that this frozen stock is practically cleaned up—the merchants delivered over 1,500,000 pounds in 10 days, all of which means consumption, and these turkeys brought good prices when everything is considered, so the attitude of everyone will be different. They can't accuse me of ruining them.

People have certainly appreciated the way this has been handled; have wire from Texas saying we will ship 1,000,000 pounds more of turkeys in December than had we done as last year, and with this old stock out of the way it gives confidence to dealers to do business. To-day we had our weekly meeting; that is, a meeting when Mr. Hoover calls in all the heads of departments from all sections, not only food but publicity, transportation, legal, and so on, and he tells what has happened during the week, and made the statement about this turkey business; then he spied me and made me get up and talk turkey and eggs.

Gave Will my address for Friday and Saturday, so if anything wanted wire me there. Eggs withdrawals trifle better, but they are not what they should be; but I don't look for any lower price just now, however. Butter moving out very slow; hardly know what to make of it. One of the big houses in New York last year during November they put out 3,600,000 pounds, this year 2,000,000 pounds less. This don't look good.

Yours, truly,

W. F. PRIER.

WASHINGTON, D. C., December 3, 1917.

Mr. D. E. KNOWLTON,
Buffalo, N. Y.

DEAR MR. KNOWLTON: This will acknowledge receipt of your letter of November 29, all of which is fully noted.

Regarding egg exports, will say that practically all foodstuffs were placed on the conservation list which practically means an embargo, but I took the matter up with Mr. Hoover and got him to issue instructions to the War Board to permit the exportation of 250,000 cases. The next trouble then was getting export licenses which delayed shipments 6 to 12 days, so I took it up again. In fact, wrote a letter in my office to the license bureau, and took it to Mr. Hoover's office and had him sign it, asking that board to delegate some one so that if I sent an application for license over it would have special attention, so am getting them out the same day they come in; so if you have any orders wire me the place they are to be shipped from, the number of cases, value, where they are going, and authority to sign your name to the application and the same will have attention.

As to this egg business, there isn't a day that stuff does not go out to the press and to the State food administrators, and you will find in all the big markets, such as Chicago and New York, advertisements quoting the wholesale and the prices they should be retailed at. I was in New York Saturday discussing this egg marking and there is a decided difference of opinion about this; those in favor of marking the eggs say that this is the only way that you can control the retailer, and if it were not for the marking most of the storage eggs would be selling for fresh, which means that the consumption is less, so with the difference of opinion thought best not to start anything.

It certainly is interesting to see the difference of opinions held by good many people, all intelligent, on the same question.

It's also interesting how many things we are bringing to earth, one prominent shipper in Missouri shipping storage eggs from Chicago and then mixing them with his fresh and selling them to Chicago and eastern buyers as Missouri case count fresh eggs.

Yours, truly,

W. F. PRIER.

WASHINGTON, D. C., December 5, 1917.

Mr. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: Have your wire to-day saying that hens were 21 cents and springs 20, sorry to see this advance, at the same time it does not surprise me, for

no use talking people are eating poultry, and as I get reports and see how little stock is going into the freezers compared with former years, I am urging people to store more poultry simply from the viewpoint of public good, for I can't see anything but extreme prices on poultry next spring, due to light stocks.

Nothing encouraging on eggs that I can see, either fresh or storage; fresh seem to be increasing and frozen understand are in bad way on account of sugar, which is decreasing amount cake being baked and candy boiling made.

I have my reservation for sleeper to-morrow, but am not absolutely sure about being able to get away, but rather think so.

Hope everyone is buying all the poultry that they can handle and handle right.

Yours, truly,

W. F. PRIEBE.

Note what you say about turkey price in Missouri, will say that I don't believe that the price is out of line, and that they are worth it; and I would take orders for Xmas and say to customers that we will bill them up as cheap as possible.

WASHINGTON, D. C., *December 14, 1917.*

FRED: I write you earlier in the day about my troubles on the Chicago eggs situation; will say that I have other troubles on my hands, and that is last year's poultry that you probably know about. The situation now is that the East is pretty well cleaned up; they have all taken their medicine, but Chicago is balking and haven't done anything, and I tackled the chief to-day about extending the time on the broilers 60 days and the other poultry 30 days, and he about kicked me out of the office. When this question came up the unanimous opinion was that we should act as the law provides to sell this poultry at auction and prosecute the owners, but I plead for time. In fact, in order to get any where you know, the thing to do is to act and talk about it afterwards, and by doing something of the sort I got the extension, and the boss, as we all call him, hasn't forgotten what I did, so guess he had a grouch on.

This Chicago crowd can't make themselves believe that this is law; the fellows East that are closer to the situation understand it better.

My excuse to Hoover was that when this question comes up I hadn't the least idea how much of this poultry there was. I was under the impression that broilers were way short, but when we got the figures find nearly 5,000,000 pounds of 1916 broilers and don't see how they could possibly use them up by March 1.

This situation with the boss is like this: We haven't any right to make our own laws and rules contrary to what Congress has done, and we have protest galore about the Food Administration helping out the food gambler, and there are liable to be explosions in Congress when they get down to this subject.

I am laying awake nights figuring how can help these fellows out at the same time; they all imagine that I am part of all their troubles. That's the pleasant part of this job.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., *December 15, 1917.*

Mr. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: This is Saturday evening when I am home sick; have been very busy, and it don't seem that have been away from home more than a day.

Have your wire to-day that turkeys are 35 cents, probably due to the snow and cold weather, and short of cars; hope they don't go any higher, for it may kill the entire business for winter. I feel very firm, however, on all poultry, particularly on chicken and fowl. I predict that fowl will sell for 33 and chickens the same before March 1, and I would get good prices or store them, for there is very little poultry going into storage.

Been flooded to-day with wires from all over saying they can't get express cars, and my wires to the express officials remain unanswered, so that I can't say anything either. Well, it keeps one guessing now days, all right.

Note weather map says six below in Chicago this morning, so guess eggs will take another turn upwards.

2154 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Looks as though there will be a famine on ammonia this next summer, so better put up all the ice possible. These are great times.

Hope you were able to get your orders filled for Christmas poultry.

Yours, truly,

W. F. PRIER.

EVERETT HOTEL,

1730 H STREET NW.,

Washington, D. C., December 16, 1917.

Mr. TATHAM:

Another two weeks and the storage season will be over. I want to suggest you not sell anyhow. I believe we can clean up all that poultry right after the season closes to Nathan S. I have an idea how we can finance that for him; presume you have had an advance on fowl. Presume I will hear to-morrow how the traders in Chicago took these decisions. I wonder how many cars there were involved anyway. Hope Bowman don't worry about it or put himself into shape where he personally will suffer outside of his holding of stock in the Bowman Co.

Good winter weather here.

W. F. PRIER.

WASHINGTON, D. C., December 18, 1917.

Mr. TATHAM:

Have your wire. Will say they were here to-day from Chicago and the eastern cities, and the atmosphere was altogether different than when the meeting was held in Chicago last week.

Ever since I have been in Boston and New York, right after Thanksgiving, I realized that this broiler business should have an extension, and decided then to give them 60 days; and on the others talking with De Winter and fellows that have none of this frozen poultry, such as Edson and De Winter, I decided last week to grant 30 days' extra of the miscellaneous poultry. I feel certain that Haskell wired these people, for he knew nothing about this until Saturday, for the reason that on Thursday I put it up to Mr. Hoover and he turned me down. Then on Saturday I wrote him another letter and had Haskell and Horne sign it with me, and us three and Mr. Hoover are the only ones that knew anything about it.

Edson tells me that no poultry is going into storage in Philadelphia at all, and Horne says very little going in at New York, so it looks very firm to me; that is, the future. At the same time both he and Corwin, of Boston, say that they are selling 8-pound chickens for 25 cents, for fatted stock, and 2 cents less for regulars, and Edson says they can't get over 24 to 25 for the finest.

Looks very much as though turkeys would be short, for they don't seem to be able to get them through from Texas, and am afraid there will be a lot of trouble. One good thing has been that the weather has been good.

I didn't know until to-day about McIntyre's death. That's a shock, certainly, too bad.

Yours, truly,

W. F. PRIER.

WASHINGTON, D. C., January 3, 1918

Mr. C. T. TATHAM,

Chicago, Ill.

DEAR SIR: I am back and glad of it, for it certainly is tough traveling at present. I left New York last night midnight and reached here at 1 p. m., but Monday night is when I had my experience; I was due in Philadelphia 8.45, but reached there 11.10, and at once started to find a hotel; could find nothing down town, so took the street cars out where I asked if they would let me sleep on a couch in the parlor, which they did; but had to get out at 6.30. All I took off was my shoes, and covered up with my overcoat, so I started out rather bad this year; but while I was shivering in the streets trying to find a place of shelter, I thought of my own bed in Oak Park and of you fellows sleeping in a warm bed.

I notice the high prices that you are getting for poultry, particularly fowl, which does not surprise me; and yet, I wonder if there might not be trouble, but am sure of good fowl being high and possibly still higher by March. But

turkeys—there are a lot of them coming now, and a whole lot going into freezers. Have wire here from Chicago to-day, where they are nine big cars on the Santa Fe turned down because they are struck green, all from Texas, so it's evident there are a lot of them moving.

I intended to come home last of this week, but find now that on next Tuesday and Wednesday there will be a conference here of all the State food administrators from all the country, and about a dozen letters from dozen States that they want to see me and talk over some things in connection with business, so will have to stay.

Hope that when I get home that Regan will have figures, so we can see about what our frozen poultry costs us and agree what we will sell it for, and sell it if we can at a reasonable profit.

The live shippers believe losing money this week in New York. There seemed to be a lot of poultry on the market yesterday not cleaned up, and Werner told me of cars he had coming from Texas, out 12 days, that cost \$400 for feed alone.

Railroad situation very bad, but hope with the new order of things that it will get adjusted and be better; will hope so anyway. In the meantime, take no chances; whatever you do, play it safe, for you might get lot of poultry in off condition, for there has been, and is yet, quite a lot coming to New York; that is, turkeys that are struck green at the same time they come in frozen. You might have had some mild days; at any rate, they were not cooled right.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., January 6, 1918.

Mr. MARTIN SCHULZE,
Bushnell, Ill.

DEAR SCHULZE: Did not go to church or hear Billy Sunday to-day; been here in the office about all day, but before going home want to say something to you, now that you are a farmer.

I have before me prices from Switzerland, and, converted into our money, present rate of exchange, it means that live hogs selling for 32 cents, and other things in proportion. What I have in mind is, with all those countries so short of meat, what will happen when the war is over and ocean freights are normal and buying free? I can't for the life of me see anything but extreme prices for hogs for at least two years, and would raise hogs.

I honestly believe if it were not for food control in this country and in the allied countries, hogs would be 25 cents, and everything else in proportion here; but while some farmers might think this good for them, but what good would it do them if everything they would buy would be the same proportion, and we have riots and troubles here? And in selling to the allied countries we have to trust them, anyway; and what good would it do us if they go broke, for less they would owe us the better.

Some of the trade, through wrong information, get the idea that they were going to have more time to sell this frozen poultry, but they are not, and there may be trouble for some of them in the West, and they don't know or seem to wake up out there out of their pipe dream that this is the real thing that it's not the State legislature or Chicago City council or something where they can get influence to bear, for this is the great Government, that can take our boys, put them into the Army; that can take the railroads; that can take the buildings—anything they see they want—and make everyone do as they think is to the best interest of the people.

I was in New York Wednesday, and I certainly had a fine reception; had two dinners for me. Two months ago they all were mad, and had nothing too

And I am sure in a business way this is t people know us better, and have made a g I discovered: That these Chicago fellows d in or any time before July 1, as April's;

W. F. P.

WASHINGTON, D. C., January 8, 1918.

answered that will or expect to be home by that I expect to be home or away from

Washington all of next week, for have arranged to have Dan Boehm, of New York, as my assistant, so that I can be away one week each month, so you go and arrange to be in New York next week as long as you like.

Prices on poultry certainly high, and hope that we can clean up; there is one thing, however, that may have some bearing on general markets, and that is the forcing of this 1916 poultry, which I believe will be done, for don't believe that anyone would want to test this out in the courts not by the people that own most of this poultry; of course, the heavy loss will be broilers.

Having a convention here of the State food administrators from all over the country and it's keeping me busy. I speak to-morrow morning at 10, but have the principal parts written.

I believe, in view of the fact that you can stay away all next week if you like that, I better see you before you leave, so advise that you better not go until Monday; say, Monday afternoon, so that can go over everything with you.

Wonder what Seibels thinks about this missionary work for the owners of that poultry?

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., *January 11, 1918.*

Wrote you a line this morning about that telegram; you will understand that I did not think it wise to elaborate on it, for some Government man might misinterpret it, and think that we are trying to beat some one.

This sure has been some day for me to-day, for this storage egg situation has worried us all how to keep the price down, so last night I sent a wire to all exchanges that we considered that storage eggs are costing but 50 cents for firsts and 41 cents for extras, Chicago and St. Louis, cent higher Buffalo and Pittsburgh, and 2 cents higher seaboard, and that anyone asking more than reasonable profit above this would be considered profiteering; to-day we had wire from Chicago fellows protesting that people were clamoring for eggs at 40 cents for legitimate purposes, and that owing to the frightful losses sustained and that the farmer would raise less eggs or not any next year, and it was unfair and other good reasons, but wired them that the Food Administration desires that public be enabled to continue the remaining storage at cost indicated plus a reasonable profit. I sent these wires to all the exchanges east of Denver.

This is making a good profit on these eggs, and honestly believe that the interests of the public and egg industry are benefited by this stand, for which without control these eggs would go to 50 or 60 cents, for a number of cities like Detroit and Buffalo, haven't got more than one or two days' supply on hand, but the idea is that the public eat them and when they are gone to do without, but to have the price go up papers would be full of the usual rot about gamblers, and it would have a bad influence on next spring.

Have been busy all day answering wires and long-distance calls, but am standing pat; at the same time some of the big egg men in the East called up and said they are willing to close out their eggs, providing other fellows do.

It is no joke to stand under these things, but a thing that is right, and I believe it is right, is the thing to do regardless of how it affects some people.

Hope to leave here 1.48 to-morrow for home, which will look good to me.

Yours, truly,

W. F. PRIEBE.

P. S.—Don't you think that I have taken the right position? It's done on coal, sugar, flour, rice; in fact, a whole lot of things.

WASHINGTON, D. C., *January 22, 1918.*

Mr. W. A. SCHWARTZ,
Lanark, Ill.

DEAR SCHWARTZ: I have on my mind a good deal this poultry of yours for haven't heard from Mr. Tatham whether same is sold or not.

One thing I want you to fully understand and that is this making prices to such people as Gilman or any of these fellows; they have two things in mind, one is to know what you are asking, and then find some one that will buy it of them and pay them a profit; they haven't anything to lose and have your goods to trade on. I am sure none of them want to buy it themselves, unless it

might be Oxley, but with all these things in the air I am sure the other people simply try to get your price and the shop with it in the meantime delay giving you an answer by delaying inspection; then the other thing that is embarrassing, for they will try and sell it to all the packers, Wilson & Co. included, which bothers us and makes Wilson suspicious of the pack being offered by two concerns, and I wish now I had advised you to just keep quiet until Mr. Tatham returns and see what he had to say.

I know this broker game in Chicago thoroughly; the brokers can't lose unless they actually buy the goods, which they are not doing at the present time.

I will be glad when it is sold and out of the way, for there are a lot of things that I don't like in the situation at present.

Will probably hear from Mr. Tatham to-morrow; sorry that his train was that did not get to see him when he returned.

Yours, truly,

W. F. PRIEBE.

JANUARY 29, 1918

DEAR MR. PRIEBE: I have your letter and thanks for the information about that concern. There is no use talking that it is poor banking to loan that concern \$18,000 at this time of the year when they keep practically no balance, then probably have not paid for their material, and on top of that owe another bank. Will probably have something to report on this later.

Business is sure light—getting about two cases eggs per week. Will ship about 125,000 pounds poultry this month as compared with 112,000 a year ago.

Creamery make is little on the increase—guess it is on account of the farmers feeding more ensilage—and curtailing on the consumption of milk on the farms.

Sure some winter weather out here—cold all of the time and guess better than thawing one day and melting the next.

Glad to hear from you any time.

Yours,

JECK.

G. G. J.: I have your note about the bank. Will say that your \$17,000 is not all they owe if you credit their drafts for those are loaned without security, and if not paid, the banker holds the bag; that's where all these country banks get stuck, just that way; it's not loaning them money, but having drafts returned.

W. F. P.

WASHINGTON, D. C., *February 2, 1918.*

MR. C. C. TATHAM,
Chicago, Ill.

DEAR SIR: This is another week and a busy one; glad to know that you are about cleaned up on poultry, for that is what we packed it for to sell, and get into the hands of the distributors.

Have been working several days and have all the stuff out in connection with a campaign started by the Department of Agriculture to conserve the hens; they are flooding the country with posters asking the farmers not to sell; the Food Administration is indorsing this work and is asking all exchanges, State associations to cooperate; that is, for the farmers not to sell and buyers not to buy hens until May 1. I am sure that buyers will agree providing that there is some way so that the other fellow will not do it. We are working all channels to reduce consumption of fresh hens and urging the use of frozen.

This is liable to cause considerable commotion, no doubt, but think it will get adjusted, and I want to say to our fellows to cooperate in every way possible.

Have an idea that will agree with dealers in New York to limit the price, both on live and dressed.

Next week, Wednesday, will have conference here with a big lot of dealers all over; same will probably last for two days, so will probably be very busy all next week.

Rather think there will be considerable excitement on all this new stuff until trade gets used to it.

Railroad situation seems better.

Yours, truly,

W. F. PRIEBE.

FEBRUARY 7, 1918.

W. F. PRIEBE,
Washington, D. C.

DEAR MR. PRIEBE: Received your letter some time ago and glad to hear from you.

Weather here is moderating—the 4 inches of snow that we had is about all gone. Ice is getting ready to get out of the streams so it will not be long until the farmers are getting to work, provided the weather stays like it is now.

Tom Maher is here—came down to be examined for the draft, but for some reason they are not ready to examine him so he is going back and going to be received up there. He said that his concern was in the hands of a receiver—he and O'Hearn are not getting along and he wishes that he was back in Chicago. He said that they owed the North American a good bit of money, but said that they had enough poultry in the freezer that when sold at present prices would pay 100 cents on the dollar to the creditors and pay the stockholders something. Said that they had 400,000 pounds of poultry in storage, but very little of it with the North American; they quit storing there as soon as they went into the receiver's hands—December 7. Said that they were offered 30 cents right straight through for the frozen poultry—all scalded. I am sending Will, in Chicago, a copy of this letter so don't say anything about Tom wishing he was back in Chicago—which he did not say with us—he meant it.

I note what you say about the \$17,000 owed the bank by a certain concern. This is poor banking all right and I will have something to say next Tuesday, but at the same time I have to be careful as some one might think it was jealousy. Our bank is rather lucky on bad accounts, but some of the other banks here get it into the neck. One of the banks here stood for a fellow running an electric supply company, owing them \$6,100, and he made an assignment to them—he had not over \$600 worth of stuff in his joint. Had a lot of it in there when he commenced to get shaky, but some of the wholesale houses came out here and took it out of the store—was simply shipped him on consignment, and when the banker would go in the store and see all of this stuff piled up he said that his money had been paying for it, but when he found out it was not paid for things looked different.

The hens are sure anxious to get to laying and there is going to be more eggs out of here this spring than any spring since I have been here. There is no shortage of hens around here.

Glad to hear from you any time and hope that you like your work.

Yours,

JECK.

FEBRUARY 8, 1918.

Attention Mr. Gardner.

Mr. HARRY A. WHEELER,
Federal Food Administrator,
Chicago, Ill.

DEAR SIR: Herewith copy of telegram from Swift & Co., which would suggest you handle in the same way as you did Brandt poultry.

If you have any other situations like this, recommend the same action. What we are after is to get it out of the hands of the original holders and into the hands of the distributors.

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION,
By W. F. PRIEBE.

CHICAGO, February 8, 1918.

W. F. PRIEBE,
Food Administration, Washington.

Will have some 1916 poultry which will be withdrawn from storage prior to March 1, but may not in all cases arrive at our distributing houses in time to be sold and delivered by March 1. Will we be allowed to carry such poultry in our distributing houses where it will be offered on sale for such a length of

time say 30 to 60 days as will enable us to sell it through regular channels?
Wire.

Swift & Co.

WASHINGTON, D. C., February 11, 1918.

Mr. C. C. TATHAM, *Chicago, Ill.*

DEAR SIR: Before leaving to-night must tell you about the doings in New York Saturday.

I called a meeting of the live dealers at 1 o'clock. They were all there except Baff; also a lot of the Kosher dressers. I told them what he had done, and told them that we did this without having them agree to it; that I felt that the Jews would make just as much sacrifice as gentiles, and that it meant a great deal to them, but that I knew they were loyal. Sam Werner get up and said it would cost him \$5,000, but that he would do anything the Government asked him to do; if he had to give up all his property, he would do it. Then followed George Brown and others, and before they got through you never see a more patriotic bunch.

At 3.30 met Poultry and Game Trade Association at Mercantile Association rooms, and they threw bouquets at me so much that I wondered if I was already dead.

The Preston had been following me all day by phone that he wanted to see me. I called and he started apologizing and asked or said he would publish an apology in this week's issue. I told him to forget it and say nothing, but be a good soldier, boost for the Government, the Food Administration, and help win the war.

So I felt this one good day's work.

I tell you everyone is loyal in this country except a few narrow-minded people. All it wants is patience and time for them to see things in the right light.

This live-hen business, of course, causing some little trouble or misunderstanding. This differential of 5 cents between Chicago and New York don't set right with Chicago fellows, but I believe it works to the best of Chicago, for receipts after this week will all be express. Now, these express shippers will not ship East. It will come to Chicago and Chicago dealers will get poultry cheaper than they would otherwise.

I am coming home last of the week.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., February 14, 1918.

Mr. G. G. JECK, *Atlantic, Iowa.*

DEAR SIR: Gee whiz, how times flies. Here it is again Thursday night, and day after to-morrow I leave for home, sweet home, and expect to be there for a week, then back here for a week, then I am slated to attend the meeting in Kansas City and Des Moines, but not sure about it.

The hen conservation is working fine so far. Very little trouble as yet. So hope it will work out.

Judging from weather map, hens liable to start all at once. Next two weeks there may be more eggs than anyone ever dreamed of in about two weeks, and this may be only a January thaw, but would keep away from eggs.

I don't know where we are drifting to in this railroad business, for the situation is very bad, and while the mild weather is helping it, there isn't enough power and cars to move anything near the stuff that is wanting to be moved. The potato situation very bad. It will be necessary to move 1,000 cars a day from until middle of June to move potatoes, and they are moving less than half that. The many farmers frantic to sell, and they are willing to sell for 60 cents and markets are short because they can't be hauled. That same thing applies to all lines. Chicago and other markets have all their stores and lots full of coops that they can't return, and these southern fellows are out of egg cases and can't get them returned, as down this way they ship in return cases. So it's bad and don't see much improvement.

2160 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Getting back to business, I wouldn't buy any eggs until you can buy them about 30 cents.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., February 25, 1918.

Mr. TATHAM:

I arrived here this morning about on time; find my desk loaded with wires from all over the country, saying they can't get cars, either freight or express, and others haven't any cases and can't get them, and eggs piling up, and what to do I don't know.

I feel like sitting down and crying, but that don't help it, for this transportation situation is awful, and I don't see much help either; now, in view of this, I think anyone buying eggs, unless they have a big margin, are simply fools. They need a guardian, and the thing to do is to keep away until they get down, and on account of this case situation we may not be able to do business; fellows in the country will say we certainly don't expect that eggs will have to be eaten at home. I want to say there is whole lot of stuff eaten at home now or dumped for lack of transportation, and there will be more, so this might just as well be understood.

I am mailing copy of this to most of our fellows so they will know how I feel on this; my honest opinion is that unless the weather gets real cold with snow, that eggs will have to be bought at 30 cents or less before the stop comes.

Safety first.

Yours, truly,

W. F. PRIEBE.

RELATIONS OF W. F. PRIEBE WITH THE W. F. PRIEBE CO. BEFORE AND AFTER MARCH 1, 1918.

During the latter part of May, 1918, Examiner Sam Evans found in a Veeder vault a document which read as follows:

(Taken over phone Mar. 1, 1918, 4.20 p. m.)

[Telegram received addressed to W. F. Priebe Co., Chicago.]

I hereby tender my resignation as president and director of the W. F. Priebe Co., effective to-day. Please act to-day.

W. F. PRIEBE.

In the same file Examiner Evans also found a document which read as follows:

[Western Union Telegram.]

MARCH 1, 1918.

Mr. W. F. PRIEBE,

Care of Food Administrator,
Washington, D. C.:

Your telegram received; action taken accordingly.

W. F. PRIEBE Co.

SWIFT & CO., CHICAGO.

Amounts paid to W. F. Priebe account management arrangement W. F. Priebe Co.

Apr. 12, 1915, for year ending Mar. 1, 1915.....	\$3,166.32
Mar. 29, 1916, for year ending Mar. 1, 1916.....	7,214.72
Mar. 24, 1917, for year ending Mar. 1, 1917.....	18,750.42
May 9, 1918, for year ending Mar. 1, 1918.....	3,492.68

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2161

Amounts turned over to Swift & Co. by W. F. Priebe, representing dividends received by him on stock held for account of Swift & Co.

Declared.	Per cent.	Number of shares.	Date received.	Amount.
1916.				
March.....	25	308	Mar. 24, 1916	\$9,900
March.....	(1)	.....	Mar. 28, 1916	1,194
July.....	2	897	July 19, 1916	1,194
September.....	2	897	Sept. 16, 1916	1,194
December.....	2	897	Dec. 6, 1916	1,194
1917.				
February.....	2	897	Mar. 6, 1917	1,194
March.....	20	897	Apr. 2, 1917	11,940
June.....	2	897	June 7, 1917	1,194
September.....	2	897	Sept. 3, 1917	1,194
December.....	2	897	Dec. 11, 1917	1,194
1918.				
February.....	2	897	Mar. 13, 1918	1,194

¹ Stock dividend.

² Shares.

³ About.

WASHINGTON, D. C., March 15, 1918.

Mr. F. M. STAMPER, Moberly, Mo.

DEAR MR. STAMPER: You and I have had considerable honor by having our names on the front pages of the papers, but we have further honors thrust upon us and our families, for our names are in the Congressional Record, for your fellow townsman, Jim Reed, took a shot at Hoover Monday and used ammunition all of your and my own iniquities; but while this is an honor, I feel that not all is well until the President issues a proclamation that you take care of Hoban and some of your other friends.

I am safe in saying that we have heard the last of this, so let's get along now and do business. As far as I am concerned, when I took this responsible job I believe 60 per cent of the trade in the cities were opposed to me, but am safe in saying that outside of Chicago 90 per cent of all the deals are my friends, and realize that I am different than they thought I was.

I don't know anything new about eggs; it will depend on storage prices, and no use talking, every day it looks harder to store eggs on account of money. One of the largest houses in the East has letter from their bankers notifying them that they will not be able to let them have more than half the money they have had in previous years, and I know 7 per cent is being paid for money by people who were able to get all they wanted a year ago at 4, and the worst of it is they can't get it, or all they want.

My guess is that eggs will be all of 2 cents lower, if not more; let's see what will happen. This letter is written at 8 a. m. I believe there never was a time when the country packer will be able to make as much money as this spring, provided he has the nerve when it looks like lower markets to reduce and the courage to buy when everything looks blue.

Hope all are well.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., March 16, 1918.

Mr. TATHAM: Regardless of the fact that I am not any more with the W. F. P. Co., I can't help in keeping my eyes just a little on the egg market, and as I have written the parties I am interested in, am mailing you copy of my opinions on the subject, for I believe you will be interested in them.

Yours, truly,

W. F. PRIEBE.

Will be glad to hear from you occasionally, and suggest that you mail the same to the Everett Hotel.

MARCH 19, 1918.

Mr. W. F. PRIEBE,
Hotel Everett, Washington, D. C.

DEAR MR. PRIEBE: Yours of the 16th received and noted. Regarding the egg business there is a heavy movement of eggs all over the country; in fact, straight cars coming from Minnesota and the Dakotas. The advance in the market here during the last four or five days has made some very high ideas in the country. Prices in Iowa to-day around \$10.50, track, cases included; Missouri about the same price; Illinois, \$10.60 and \$10.65; while the actual market here to-day is weak. Eggs were offered freely in car lots at 36. We shipped last week about 35 cars from all points, and will ship more this week. Weather certainly is ideal for egg production and can see nothing only an avalanche of eggs by the end of this month if the present weather continues. Our temperature yesterday and to-day about 70. Eggs are certainly fine.

This New York market is misleading, which is a bad feature. They quote 41. At the same time they are willing to sell eggs down there to arrive within the next few days, as low as 38½.

We sold 21 cars yesterday, most of which will be shipped by to-morrow, at 36½ to 37 cents, Chicago. Think we have done fairly well on eggs the first three weeks of this month, if we can only keep from losing it the last week. Have not started to pack for storage anywhere as yet. In fact, there are very few people interested in buying storage eggs at the present basis of prices.

Nothing much doing in poultry. However, from reports we get, there is evidence of frozen stock not moving out satisfactorily.

Butter market is sick. Creamery 41 cents here to-day.

Yours, very truly,

W. F. PRIEBE Co.

CHICAGO, ILL., March 20, 1918.

Mr. G. G. JECK,
Atlantic, Iowa.

DEAR SIR: I returned from Moberly this morning; now, believe me, we had some time down there. I went with the lawyer and we worked from Monday noon to about 9.30 last night and got in here early this morning. Believe me, we have them about fixed up on the increase of their capital and their income tax. It was some job and there will have to be some adjusting down there, too.

Now, in regard to the Humboldt business, I called up Tatham Monday afternoon about 5 o'clock and he had just received a wire from father to the effect that what we had done up there was all right. Have not heard anything more from him in regard to it. I note your letter in regard to the ice cream end of that business. I do not think that we will be able to make a deal with Clark, the way he talked, for I agree with you that it is illegal if these other deals are. On the other hand, we might say that at the end of the year we will give him a bonus equal to one-half of what the ice cream department shows profit, which would be the same thing.

I have not written up the minutes of the meeting as yet, but will to-morrow if I can get to it. W. T. S. White called me up this morning and wanted to know what we did out there, and I told him part of it. The first thing that he asked me if we had fired the former manager. He thought Clark ought to be put out or else get some more life and enthusiasm in him. And believe the way we have left it will work out better and he will be a little more aggressive.

Idon't know when we are going to be able to get out to Humboldt and start their system of bookkeeping, but am going to try awfully hard to put it through next week. We are expecting to have our annual meeting of this company this afternoon, and something may develop of interest that will bother us from getting out there next week, but will do the best we can. Hope Clark can be patient until that time.

Certainly lot of eggs rolling down the Missouri, and they are making good money on them. I heard one shipper tell Howard Stamper yesterday that he had 30 cases eggs in tubs and boxes waiting for cases, so they are up against it like the rest of us.

Hightshow came over yesterday afternoon to see us and he said that the farmers tell him that there are going to be more chickens raised this year than any year before for a long time—that is, more early chickens. I don't believe there ever was a rule laid down that was so universal and so strictly kept as this hen rule is, and they all think it is a good thing.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2163

There is still a great deal of agitation in Missouri, and those three fellows that were up here and testified are still blowing their horns, but we are trying to forget it and are too busy to be bothered.

I have a letter from father this morning and looks now as if he was down there for all spring and summer, and being that this agitation about him being there has blown over, he will make some different arrangement about his work down there, in the way of making it permanent and getting some assistance that will be of real assistance to him. We are in hopes that he will be home next week.

I notice the statements are made up for February business and your section shows a gain of \$395.90. Will try and get the statements out to-morrow.

Yours, truly,

W. F. P., Jr.

WASHINGTON, D. C., *March 25, 1918.*

Mr. F. M. STAMPER,
Moberly, Mo.

DEAR MR. STAMPER: Have your letter of the 22d all noted.

Regarding eggs, week ago, when I said that I thought you would or ought to buy eggs so that storage eggs will cost about \$10 delivered Chicago, it looks rather foolish, but it is beginning to look as though this might be the case, and possibly less, for there are a whole lot of things that don't look any too good. Cole says Swifts offering only \$9. Boehm bought a car to-day at 37 cents delivered New York, all of which goes to show that the packers not going to load up with these eggs, not just yet, and if they stay out these markets have to go down. This money situation getting worse every day, and looks as though a good many would only be too glad to get 70 per cent for some. May not be able to get it.

Note remarks, down 1 cent all over the East to-day. I rather think they will be lower by the end of the week.

One thing also is very evident, we have in this country possibly 9,000,000 of frozen eggs against none year ago; this is about 800 carloads of eggs, and this is going to make these people slow.

I still maintain that eggs at \$10 a case will make money, and yet they may go lower, but hardly think so, and they may possibly not go there.

Good many New York people are very nervous about possibly bombardment by submarines from Germany; that it is reported that Germany has built some large submarines, large enough to carry few cannon and airships, and they could fly over New York and drop bombs, and insurance is written against that kind of loss; all of these things making people scary and nervous about loaning and investing money.

Very busy; lots of big things to decide and handle. It's now 10 p. m., and think I will go to my bed. Gee, wish I was home.

Yours, truly,

W. F. PRIEBE.

WASHINGTON, D. C., *April 9, 1918.*

DEAR MR. STAMPER: I have your letter inclosing copy of the letter sent out by Mr. Selby, in connection with our meeting at Macon, Mo., last Thursday, which is throwing bouquets all right. Will say had similar experience in Indianapolis and Louisville. In fact, they are coming thick. One of these trade papers has been investigated to see if their change of heart is due to a change of heart or whether there was money paid for the change.

Inclosed find copy of an article in one of the magazines for April, which, no doubt, will interest you. I have felt all along it simply needed time to have people realize what all this means, and they are learning.

Believe will have more time to write you now about my views on eggs and poultry matters, and will try and give you general letters. There is only one thing, and that is, I am not supposed to say anything that is not ready for public, and I never have, and yet I might write something or make some expression that might be misinterpreted by those looking for trouble. You realize, however, this can be done, so read my letters carefully, and if there is anything that might be wrong let me know.

As to eggs, will say the future is very uncertain. It's too early to talk storage, but it is a fact that the East, particularly New York, believe storage houses could fill their houses in a week for war supplies, and understand to-day

that one of the large houses will not take eggs at all this year, and money you either have to beg or fight for it; so things are very much upset, and nothing would surprise me. I feel quite sure that any change in markets that they will be lower in a month from now than at present.

Butter looks weak, for the information from Department of Agriculture is that we have 390,000 head more cows than year ago, and have 1,185,000 head heifers coming fresh this year, and last fall farmers said they were selling off their cows on account of high cost of feed and cheap meats. It's a great country, and it will produce a lot of stuff.

Rained here for two days, which is fine for wheat and grass.

Yours, truly,

W. F. PRIER

WASHINGTON, D. C., April 16, 1918.

Mr. A. B. COLE,
California, Mo.

DEAR SIR: Mr. Hilderly and his friend from Havana called yesterday and visited with me a while, and learned of some very interesting things regarding food in Cuba. Mr. Armand said that for two weeks they didn't have any wheat bread, and the poorer people can't get it at all. They have to eat bakery stuff made of barley and oat flour, for they usually get their wheat from this country, and we can't spare them any.

Monday this country will take over those Holland ships, which will help move some of this meat across, and other things as well.

The great question now is eggs, as far as you are concerned. My opinion is that you should pack them for storage, for you are liable to see quite a slump in current receipts, and then to have them on the way you can't save yourself. No question that the storage price will have to be established before one can reason that prices are at bottom. I hardly believe that eggs will be stored at over 35 in Chicago. Understood from Hilderly that they are not going to store any. Armand says he will wait until fall and buy them then. I know Haskell will not store at present, so are others; and this money situation being so serious all has its influence.

This is my idea, to pack them for storage unless they are sold before you ship them. Of course, markets may stay up, but I believe when the eggs that the fellows in New York have bought are sold that they will knock the market in order to get on a lower basis. Market yesterday was $\frac{1}{2}$ higher in New York, but I still believe it will be 2 cents lower in a week from now.

Weather fine here yesterday and to-day.

Yours, truly,

W. F. PRIER

WASHINGTON, D. C., April 24, 1918.

DEAR BERT: Haven't heard from you for some time, but hear from Will that last week and the week before you distinguished yourself by cleaning up the platter, and at the right price. Will says, however, in going to your place and that of Parrott's that the packing room looks like a ladies' aid society, for it's about all women, which am glad to hear.

I am on the job as usual. Not so many letters from farmers about the high price of feed and the low price of eggs, for, as I told Mr. Hoover, farmers so busy picking up eggs and counting their money they haven't time to write letters the same time. I am getting it from the poultry experts. Have one to-day from prominent one of the tribe, in which he says I have ruined him financially; that all my activities have been to settle what profits shall be to all the fellows that buy his eggs; also profits to the storage men, the feed men, packers, and so down the line to myself. It certainly is hot stuff. He got mad because last September he wrote me that unless the Government came to the rescue the poultry industry was doomed. He kept that up all last winter—that farmers were selling their hens. I told him that I would go on record that receipts of eggs in four leading markets would be nearly as heavy as last year, and would not surprise me if they were not heavier. Now that this has come true he is mad.

I feel lost not hearing from you. Would like to know about business, crops, and conditions, as I have to keep in practice, for I might lose my job here and might want to get back into harness again.

Certainly lot of failures. Notice Copeland & Flyn, Omaha, owe considerable money to shippers. No use talking, last year was a bad one on eggs, butter, and cheese.

Mailing copy of this to Parrott and will be pleased to hear from you, but in sending letters to me mark them personal, for nearly all the mail comes here is addressed to me, and the women open it.

Regards to the folks.

Yours, truly,

W. F. PRIER.

JUNE 23, 1918.

Mr. W. F. PRIER,
United States Food Administration,
Washington, D. C.

DEAR MR. PRIER: Presume you like to hear from the seat of war occasionally, and we certainly have had some groggy egg market for the last 10 days.

Price is getting down now to a reasonably sane basis. We are buying eggs in Iowa on the basis of \$9, track, and getting finest quality we have ever packed at this season of the year. Notice cars moving yesterday from Iowa and Illinois running 56 to 57 pounds to the case.

We started in candling a few days ago, and the boys say there isn't enough loss to pay for candling. At the same time, for the additional expense we think best to get out what loss there is.

Another thing, eggs are being marketed quicker. Prices have been declining nearly every day, and there is no inclination of anybody to hold their eggs. This means a whole lot on quality, as you know. In Missouri they are buying at \$8.60 and \$8.70. Just talked with Moberly a short time ago, and their quality also running good. They did not feel inclined to candle on account of loss being so light, but tried to impress upon them that it is best to candle their eggs even though it is light.

Our receipts of eggs for the last 10 days have been light for the reason we have been keeping ahead of the hounds on this decline from day to day, and have been able to sell most of our eggs as we go along. Prices are getting down now, and are willing to store a few cars, if need be, and think we will be able to handle ourselves in good shape.

Poultry movement is light, except in Missouri. It seems to be a little on the increase. We will have three mixed cars out of Moberly territory next week, but in Iowa and Illinois movement is light and the only places we have been able to dress at is Atlantic and Bushnell, but next week expect to start in at Manning.

Our plan is to start in dressing where we can get enough poultry to start cars and get away from this express shipping as well as to build up our dressing gangs.

Certainly, a lot of grief here the last two weeks on account of damaged cars of eggs. About the only trouble we are having are on these Missouri cars. Think we have got Cole converted to our way of loading, for he had two cars in here this week all shot to pieces, but Stamper we have not been able to accomplish much with. They have not been putting these straw pads at the ends of the cars, even though we have written them often. They have a car on track to-day all busted up. Had a car out at the yards a few days ago with a lot of wet eggs on account of no racks under them. Think it would be well for you to give them a little scare on this point, for it will mean money in their pockets. Take these cars coming in here not loaded properly. It is going to hard matter to collect claims from the railroads, and we can not blame them.

It is very dry over Iowa for the last few days, and have had some good rains, so everybody is happy.

The butter market has been in the dumps more or less on account of unsettled conditions. We are storing our packing stock, and hope to be able to get enough for our reasonable requirements.

Hoping you are feeling well, I am

Yours, truly,

[No date.]

DEAR TATHAM: I have the following from Mr. Ruddin that will be of interest to you and some of our other fellows, who am sending a copy:

LIVERPOOL, ENGLAND, October 16, 1917.

Hearty congratulations upon your appointment to so responsible position under your Government. The job is a thankless one, but some one has to undertake it, and it could not be in better hands than yours.

No doubt a good deal of my information is old news to you because your food department will have informed themselves of what has been done over here.

Our Government has forbidden the use of any cereals which is for human food to feed poultry. Damaged cereals or offal are allowed. The consequence is that feeders can not properly fatten chickens or birds, and the only birds with a bit of flesh on them are those bought direct from farms. The present supply is a full one and the ruling prices are 28 to 30 cents per pound for chickens and 32 cents for turkeys.

It is evident that farmers have been realizing their poultry stocks, and in doing so brought the values of American chickens down to 24 to 25 cents. A month ago anyone could have had American chicken to sell on commission with the result that all the American chickens are now cleared.

Beginning next January the poultry and trade will be controlled. I fear the production of ducks and geese will be prohibited altogether, as it is contended that they do not show adequate flesh for the amount of grain consumed. The prohibition will necessarily extend to the sale of the article, which will stop importation for foreign countries.

There are inquiries (certain) abroad from which it may be inferred that officials in charge are seeking the most useful and economical sized chickens. Having determined on same they will shut out all other sizes. Of course, it is obvious that this only refers to foreign importation and is evidently made with a view to economy of space in refrigerator space aboard ship.

Taking a hint from methods adopted in other controlled trades, I would not be surprised to find Government purchasing the whole of the poultry required and derived by imports source and then distributing separate through ordinary business channels. This will cut off competition because they specify the exact price at which articles must be sold. Under the meat control distributors (like ourselves) get 1½ per cent.

The Government pays all charges, such as storage, etc.

The consumption of poultry has fallen off at least 50 per cent of the prewar supply. Prices have only advanced to a point between 25 to 30 per cent, and as far as I can foresee to judge, the poultry trade is not only going to be severely hit, but seriously injured, in so far as the buying public is concerned. There will be a great deal of old uphill work to be undertaken to reinstate the trade in the position before the war.

In regard to the eggs, up to the present Swifts seem to be the only importers. Their first arrival was in September, which consignment came to hand in bad order. They, however, realized \$4.80 per 120 eggs. The market is expected to advance to \$6 per 120 eggs, but there is a feeling that it is not safe to buy past November. Personally, I think the Government will stop importations of eggs altogether, because they take up more refrigerator space than either beef or poultry. Therefore I expect eggs to be prohibited altogether, as steamer space is short.

Home-produced eggs are getting very short, and the best selling on Saturday at \$7.80 for 120 eggs. It looks as though eggs are going to a point where they will only be allowed to be produced for hospital use for invalids.

Many thanks for kind inquiries relative to my family. Please say they are all well. Regret to say, however, that it was my misfortune to lose my dear mother.

Yours, truly,

J. T. RUDDIN.

[No date.]

C. C. T.:

Regarding the attached, from what I can see is the way things are working will be that there will be no individual trading by any dealers in this country with individuals, say, in England; that all the buying for the allies will be handled by a board in New York, called a commission, who are made up of

delegates from England, France, Italy, and Belgium. Believe there are five of them. They will find out what their country wants. Then when they find what they want they will have the Food Administration—that is, the department that has the buying—they will determine whether we have or can spare or how much we can spare. Then, when this is decided on, this committee will do the buying. That is, the Food Administration will buy it for these foreigners. It will mean that one person will buy it, and that there will be no competition here in buying, and on the other side the stuff will be given to the distributors for distribution, and they be allowed so much per cent or pound for doing this.

I believe this is what is meant by this licensing. We might sell Ruddin poultry, but to get it to him, I think, will be impossible, except those 1916 poultry, which I have been able to get on special list.

There are a whole lot of things here not yet worked out. Am flooded with wires regarding these licenses for export. I can't get anywhere. I presume that the fellows in Chicago, St. Louis, and Tampa and other places think we are indifferent, but we are not. I think this new machinery will soon be adjusted, when public notice will be given.

As to this Government going to buy lot of stuff for export, I am sure there is nothing to it, except that the Food Administration will do the buying for the allies, and that the allies will not do any buying themselves.

Might say of interest that the scheme here is, should the allies want eggs or poultry, I would get a request to state whether, in my judgment, this country could spare what they ask for. If not all, how much we could spare and not run out ourselves. This is the case with everything wanted.

It's rather nerve racking and a positive injury to business to leave so many things unsettled, for no one knows what to do or how to do it; but we must all be patient, for this is a tedious undertaking; but there are big men back of it, and am sure this thing will soon be cleared up.

W. F. P.

[No date.]

Mr. A. B. COLE, *California, Mo.*

DEAR MR. COLE: Have your letter of the 7th, all of which is noted. Believe you are making good gains on your poultry; don't see that you could do better this time of the year. Regarding corn meal, I strongly recommend that as soon as your corn is dry enough to grind that you add 25 per cent of this to the Hales and Edwards feed.

Judging from Mr. Tatham's letters and wires, receipts are as I predicted they would be—that is, light—for farmers not inclined to sell at the reduction in prices that was made last week; and the other fact that every man, woman, and child will be in the fields husking corn, and unless it rains receipts will be light; and then comes up the question of these feeders and pickers—all poultry men will want to keep their help going and will increase their prices to get enough stuff to keep their gangs at work—if it rains that will be another matter.

I am passing through a crisis. This fro on poultry has caused all kinds of excitement. Papers, understand, printing that I am asking the banks to call all loans on poultry, while I have been doing the very best that I could to keep them from calling loans, except on turkeys; these we are doing everything possible to get them eaten for Thanksgiving. Also doing everything that I can do to lengthen the time to liquidate the other kinds; but the average fellow that has got this stock thinks I made the law, that I interpreted it, that I am doing all that is causing them trouble and financial loss, and, naturally, have it in for me; they don't realize that I don't do a thing until it is talked over by our council and our chiefs of departments. Understand delegation coming from Chicago with a petition and demand for my removal from office, while in New York met five of the Chicago fellows there, and understand now that they are there for the purpose of joining the Chicago fellows in this demand.

When I accepted the honor and the responsibility I anticipated just such things, and told my superiors of this—told them that I believe the same things said by some one else (say Bowman, of Topeka) would have less comebacks; but they are determined that I should stay here, so what can I do? I don't want to be a slacker or sidestep any obligation at a time like this.

This food situation is certainly bad; the corn and oat crops this year are the lifesaver. Even at that there are going to be big shortages of some of the

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things that we have been accustomed to; but, just so that we get enough to eat and not lose our boys, will be satisfied.

Yours, truly,

W. F. PRIER.

[No date.]

G. G. J.:

Your note about the farmers' hog census is in Hoover's hands and he enjoys it. To hear the stories that come in here from the farmers on the price of milk and butter, and the way the farmers are selling the cows, you would think that next year we wouldn't have enough milk to feed the babies, so this note is giving them a good deal of satisfaction.

I don't know whether those fellows in New York will do to me what they did to Baff or not.

These Chicago fellows calling up Haskell, so hold me down. They can't understand that Congress made laws and not me, but they are mad and want to cuss some one; of course, it's no joke to be ruined financially as some of them are; am sorry for them, but that don't help; I being in charge of this department all matters of that kind go over my signature.

W. F. PRIER.

[No date.]

Mr. STAMPER:

One day this week had a letter at Washington from a party in Virginia claiming that he had bought two cars of April eggs in Chicago, the first car was shipped in October and the second shipped in November; and as the new rules provide that all goods out of storage must show the date they were stored, so when he received this second car, they were stenciled "Entered storage June 13," and, naturally, he complains.

The party he bought them of here is one of the most reliable brokerage concerns here, I think, so I spoke to him about it and he mentioned having bought them. The sellers turned over to him a warehouse receipt showing that car was stored in April—that is, last April. Now it develops that the storage house kept a lot of numbers open for a lot of customers, and allowed them to store eggs during May and June, and issued warehouse receipts as of April date; when this car was ordered out, the receiving clerk, who is also shipping clerk, looked up his records, which showed that the eggs were stored June 13, and so marked the cases. He did not know what the books in the general office showed, or what the warehouse showed, and had not been posted, as this shipment was made, I believe, on November 2, so this brought to service this rotten state of affairs. No use talking, these new rules will disgorge all these crooked deals and give those doing honest and legitimate business a better opportunity to do business.

W. F. PRIER.

[No date.]

One concern in Chicago turned down 10 cars turkeys yesterday and day before from Texas because they are struck green. Have a Government man looking after it and I am getting after the shippers, and my boss says take away licenses from any one whose methods of doing business leads to waste, whether its ignorance or carelessness or lack of facilities. I don't know what to do about iced poultry. There is no question that with the experience last summer, and with possible delay this year, iced poultry shipments should be prohibited. It either should be dry and cooled or shipped alive.

Working on scheme to save the hens for spring laying, going to make an appeal to all the orthodox Jews from using hens during that time and hotels to use frozen. Of all the big things that they all expect me to accomplish is wonderful. Only thing is so many want me to do things that they might have done themselves, but whatever happens am going to do what I think is right.

I can not help but envy you in possession of your farm, for you can't loose, and you have something that will not burn up.

One business that is in very bad shape and that is potatoes. The crop is big; lots of them frosted, and they taste bad and people not using them as they should; and, owing to car shortage and extreme weather, shipments have

been light, with results that the farmers have got a tremendous lot of potatoes on hand. Then again last fall \$1 a bushel was paid for them, while now dealers only offering 60 to 65 cents, and that don't set right with the farmers.

When you make plans for raising things, just remember this: It takes 6 pounds of feed to raise 1 pound of chicken, while it takes 8 pounds to raise 1 pound of hogs. If you don't believe it, I will show you the figures.

Have a long telegram to-day from Petaluma, Cal., saying unless the Government reduces prices feed, their \$17,000 egg industry in that country will be ruined. Yet they are getting 55 cents per dozen for their eggs—that is, track. To hear all the reports coming here every day one is going to ruin unless the Food Administration does this or does that for them, so if you have any troubles pass them along. Tatham tells me that he is getting 28 to 29 cents for fatted hens in Chicago, while New York is quoted at 27½ cents for 5-pound fatted fowl.

Yours, truly,

W. F. PRIEBE.

A. B. COLE & SONS,
PRODUCE & SUPPLY COMPANY,
California, Mo., September 14, 1917.

W. F. PRIEBE Co., Chicago, Ill.

GENTLEMEN: We have received a letter from Mr. Priebe. We are glad that Mr. Hoover is getting this class of men, but it is going to be hard on us. However, this is war. We wish you would keep us a little better posted on what our poultry, butter, and eggs are bringing and keep the returns coming back as fast as possible, so we can get our average. This 20-cent poultry and light receipts, which add to the cost of handling, is getting on our nerves. I was talking to Swift's man at Sedalia this morning. He says their receipts of poultry are less than 50 per cent of a year ago. The egg receipts are very light with us, and I do not think they will be any heavier soon. The business situation looks serious to us, and unless we can sell this poultry high now or by freezing, we will have to work this year for nothing and perhaps stand a loss. Mr. Priebe's new position may give him some insight to the future that will be of a benefit to us all.

Yours, very truly,

A. B. COLE & SONS.
Per COLE.

NOVEMBER 5, 1917.

MR. D. E. KNOWLTON,

Care of Buffalo Cold Storage Co., Buffalo, N. Y.

DEAR SIR: Have your letter in regard to the way we wish to handle our drafts for advances on this poultry. It is our understanding that the storage houses proper are only permitted to loan 70 per cent. Of course, this is going to make a difference on the quantity of poultry to be stored; there is no question about it. We can see the effects of it here already; and as for ourselves, it will probably mean 25 per cent less volume, unless we can arrange in some way so we can get nearer what the stock cost us, and we were wondering if there would be any way you could arrange it with one of your banks to make us this additional loan and how it could be handled?

The same thing applies to poultry that we will probably store there for Nathan Schweitzer Co., New York. Would it be possible to have these notes made direct to the bank instead of to the Buffalo cold storage, at the same time you are acting as their agent? Would like to know at once just what can be worked out on this, as we have several propositions pending and must arrange definitely very soon. Of course, here we can get whatever money we need from our bank on personal notes.

If this thing can be worked out satisfactorily, wish you would wire us upon receipt of your letter to-morrow and then write to us, so we will have full data on Wednesday mornings. We will, no doubt, be shipping quite a little poultry to Buffalo from now on, providing we can arrange to handle ourselves and our customers.

Yours, truly,

W. F. PRIEBE Co.

BUFFALO COLD STORAGE CO.,
Buffalo, N. Y., November 6, 1917.

W. F. PRIEBE Co.,
192 North Clark Street, Chicago, Ill.

GENTLEMEN: Answering your valued favor with reference to the matter of advances, no matter how bad it hurts us, we are going to cheerfully comply with the Government requirements, and while we shall be mighty sorry to have a smaller amount of poultry from you, yet from our present knowledge we can see no way to overcome the 30 per cent. If we get the bank to take the paper and give a written guaranty of that, I can see no difference between that and our making the advance, because that is really what we are now doing—guaranteeing the paper. It would seem as if a trust company must be formed to take care of this or the business will gradually, and I guess quickly, land in the packers' laps, for they have abundant money to finance whatever they desire to buy. The only question that will enter into the matter will be that the packers could be constrained on the amount they could purchase.

However, the matter will develop (it seems to me very fast), and either the bottom will drop out of prices or else the big fellows will be permitted to take the goods or the regulations will be changed. This seems a little the most radical of anything that has been done in any line, and yet it is a beneficial thing for the warehouses, unless business is permitted to be entirely handled by the packers, when some of us will be darned glad to sell our warehouses at any price that the packers want to pay for them.

Mr. Tatham, this letter is not written for publication, nor do I wish to be understood in any way to complain as to who gets the business or as to the wisdom of the Government. It does seem to me that it is up to every loyal American to conform to the regulations and "to pack up their troubles in the old kit bag and smile, smile, smile."

Yours, truly,

BUFFALO COLD STORAGE CO.
D. E. KNOWLTON,
President.

CHICAGO, ILL., November 10, 1917.

Mr. G. G. JECK,
Atlantic, Iowa.

DEAR SIR: Have received no reply from you on our second wire yesterday, but will possibly get something in mail a little later regarding the proposition at the bank, some of which will determine in the writer's mind the extent of your hypnotic influence.

Yours, truly,

W. F. PRIEBE Co.,
C. C. TATHAM.

The CHAIRMAN. Are we now through with your chief examination?
Mr. HENRY. No. Mr. Bode, testifying before the committee—he is vice president, I think, of Reid, Murdoch & Co., wholesale grocers in Chicago—said he did not understand how the Agricultural Department came to make the net-weight ruling in regard to wrapped hams and bacon, and I would like to read a summary of it into the record, and then put in some letters we took from the files of the big packers, that I think will perhaps show Mr. Bode how it came about. The most of those letters are from Armour & Co. I will not read them at all if I may put them in the record, but my summary is as follows:

NET WEIGHT CASES—SUMMARY OF FACTS.

In the winter of 1914 it seemed likely that the Bureau of Chemistry would construe the pure-food act so that meats wrapped in paper would be considered as a "package," in which case they would have to be sold at net weight. The alarm was sounded among the big packers and an arrangement was made by which Mr. George P. McCabe, a former solicitor of the Department of Agriculture, was sent to Washington to try to secure a ruling that wrapped meats are not packages. He was to receive a fee of \$1,000, and expenses to be divided

among the big five. It was understood that if successful more was to be done for him. After several months' work he was successful in getting the decision he sought and his fee was doubled. In 1915 Mr. W. F. Bode caused the matter to be reopened acting for the Wholesale Grocers' Association. Again Mr. McCabe was sent to Washington by the big packers and again he was successful.

The reason the packers were so anxious to get this ruling is disclosed by an investigation made at one of the packing plants in Chicago in January, 1918. It was found that the packers were selling these paper wrappings at from 225 per cent to 500 per cent profit, according to the meat inside the package. According to testimony taken by the commission this exaction caused an increase of price to the consumer of from one-half cent to 3 cents a pound, as the butcher had to throw this expensive paper away and advance the price to the customer to get out whole. Notwithstanding the Department of Agriculture ruling, the Government would not submit to this and specified net weight in all Army and Navy contracts.

(The letters referred to by the witness are printed in full, as follows:)

NEW YORK, *January 17, 1914.*

Mr. T. E. WILSON, *Chicago:*

My Washington representative reports to-day as inclosed. Please duplicate to others, including Agar.

GEO. L. MCCARTHY, *Secretary.*

I talked with Dr. Galloway to-day along the lines indicated in our last conversation and gave to him the copy of the National Provisioner which you sent me recently, also my copy of last week's Provisioner, containing the article by Prof. Munford. I wish you would kindly have sent to me an additional copy of last week's issue to take the place of the one I gave to Dr. Galloway. The doctor merely said that nothing definite had been done yet as to the time of the meeting, but he felt that with the cooperation of the packers a great deal of good might be accomplished at the meetings which would be held.

I had a talk with Dr. Alsberg to-day, and he told me that the net-weight regulations had been prepared and would be transmitted this evening to the three Secretaries for their consideration. No specific regulations have been embodied for meats, but only general regulations. I told him that I had understood, and it was your understanding also, that we were to have a copy of the regulations before they were issued, and he said the committee did not feel that they could give them out prior to their being seen by the Secretaries, but that he would mention the matter to the Secretaries as to whether they should be looked over and agreed upon and then submitted for comment or suggestion, or whether they should be immediately issued. I at once set about to see the Secretaries, but Secretary Houston was not in, and neither was Secretary McAdoo. I shall, however, take the matter up in the morning again and see what can be done. I think, however, the regulations will be submitted to us for examination before they are issued. However, from Dr. Alsberg I got the impression that there is nothing in them which would be contrary to what was expressed at our meeting; in fact, that the regulations are exceedingly general in character, and that somewhat later more specific regulations will be made.

I suggest that you write a letter to Dr. Alsberg making an especial request for these regulations, which will reinforce the request I made to-day. Instead of writing, I expect it would be better for you to get in phone communication with Dr. Alsberg and have a three-minute talk with him. I have communicated with the doctor a number of times since our meeting, always with the idea expressed that we were anxious to see the regulations before they were issued, and I am a little at a loss to understand why the present situation exists, except on the theory that the committee did not feel warranted in giving out the information prior to it having been seen and considered by the three Secretaries. The main work now will be to secure from the Secretaries an inspection of the regulations prior to their promulgation.

Net-weight regulations put up to three Secretaries with the suggestion that they be issued as final or merely tentative without recommendation; chances are we will have copy submitted in advance. Have inside information that meats canvassed or otherwise sealed will be considered packages, but meats wrapped loosely in paper will not be. This is a decided victory for us. Please notify others, including Agar.

G. L. MCCARTHY.

New York, January 20, 1914.

A. B. STRATTON:

Have no definite information beyond yesterday's message, as this was simply a leak. Will endeavor to ascertain more details, and also hoping and expecting that we will get copy of proposed regulations before being issued.

G. L. MCCARTHY.

AMERICAN MEAT PACKERS' ASSOCIATION—BULLETIN NO. 4H.

The proposed regulations for the Federal net-weight law, which have been in course of preparation by the Secretaries of Agriculture, Commerce, and Treasury for several months past are practically completed and will be issued within a short time. Your committee has had hearings before the Government authorities on this very important subject, and from the general discussions we believe that the new regulations, which will require that every meat-food product in package form shall bear a statement of the net weight of the contents, will be put into operation with very little friction. As soon as details of the regulations are available I will advise you.

The committee appointed by the Secretary of Agriculture consisting of experts, which is to inquire into the possibilities of increasing production of live stock, has been organized and a tentative program submitted to the members. It is probable that public hearings will be held before this committee early in the spring. This matter is of the greatest importance to the packing industry, because it involves not only the subject of increased production, but the eradication of disease and the conservation of loss from that cause. Your committee is also in touch with this matter.

GEORGE L. MCCARTHY, Secretary.

New York, February 18, 1914.

FEBRUARY 20, 1914.

GEO. L. MCCARTHY,

National Provisioner, New York City:

We have intimation new regulations will define a food in package form to be a product wrapped or placed in a covering or container usually delivered to purchasers or consumers. This hits our wrapped hams and bacon a death blow. The information is very confidential. Kindly investigate and advise.

A. B. STRATTON.

MR. THOMAS CREIGH,

111 West Monroe Street, Chicago, Ill.

DEAR SIR: Herewith find copy of what we understood to be the proposed rules and regulations of the department at Washington in relation to the enforcement of the net-weight provision of the pure-food law. This has been furnished us in strict confidence; and, if used, should be in such a manner as not to indicate to either of the three secretaries that we have obtained a copy.

Yours, very truly,

ARMOUR & Co.,

Attorneys.

CHICAGO, February 24, 1914.

GEORGE L. MCCARTHY,

New York:

Copy of rules and regulations on net weight mailed you yesterday. This was received confidentially. Please refer to article on first page. This quite different from what we expected after our interview with you and the interpretation of it might be very unsatisfactory. Ham, loin, or any other article wrapped in paper might easily be construed as a covering. Our understanding was that wrapping would be regarded as covering on a ham except where it was sewed, and that ruling would apply only to articles in containers ordinarily used in putting up product for the consumer. This very important. What do you advise?

T. E. WILSON

NEW YORK, February 24, 1914.

T. E. WILSON:

My information came from Alsberg direct. Will investigate immediately.

GEO. L. MCCARTHY.

FEBRUARY 25 1914

GEORGE L. MCCARTHY,

Care of National Provisioner, New York:

Have you anything new on Federal net-weight regulations? What do you suggest our doing to prevent proposed definition package goods?

A. B. STRATTON.

[Telegram.]

NEW YORK, February 25, 1914.

STRATTON:

Consult Wilson, of Morris & Co.

G. L. MCCARTHY.

FEBRUARY 25, 1914.

GEO. L. MCCARTHY, New York:

Your previous statement was to the effect that regulation would be construed to mean canvased goods. Your present modification extending to such goods as may be wrapped in wax paper, sealed, tied with ribbon or otherwise, and intended in that form to go to consumer, makes situation quite different and would apply to the ordinary ham and bacon wrapped in paper and tied with tape, cord, or ribbon. If we could have it on the original understanding you gave us, namely, sewed canvased goods, it would be all right, but the present modification is quite objectionable.

T. E. WILSON.

NEW YORK, February 25, 1914.

T. E. WILSON:

While wax-paper goods were not originally mentioned, it is evident that the department will rule that a permanent container intended for the ultimate consumer will be a package. It will be extremely difficult to have this changed, but will try.

GEO. L. MCCARTHY.

FEBRUARY 27, 1914.

MR. GEO. L. MCCARTHY,

Care of National Provisioner, New York City.

DEAR SIR: Our Mr. O'Hern suggests that a proper definition of a package would be the following:

"That the term 'package' or the term 'container' as used in this act shall include any carton, box, bag, barrel, half barrell, keg, drum, jug, crock, demijohn, jar, bottle, crate, basket, hamper, pail, or can of uniform size, weight, or measure."

The words "of uniform size, weight, or measure" might perhaps be omitted.

Will you kindly consider this suggestion in connection with your handling of the subject with the department?

Yours, very truly,

ARMOUR & Co.,

Attorney.

AMERICAN MEAT PACKERS' ASSOCIATION,

THE NATIONAL PROVISIONER,

New York, N. Y., March 3, 1914.

MR. A. B. STRATTON,

Law Department, Armour & Co., Chicago, Ill.:

To yours of the 27th ultimo:

Mr. O'Hern's suggestion is a very good one, but you know the difficulty of imposing our own definition upon the Government. I will keep the matter before me, however, for my next talk with the department.

With kindest regards, I am,

Yours, sincerely,

GEO. L. MCCARTHY.

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MARCH 4, 1914

Mr. F. E. WHITE:

We are thinking of sending Mr. McCabe to Washington on the net-weight regulations. He seems to be closer to the department than anyone else. Mr. Creigh, of Cudahy & Co., who has just returned from Washington, says that Judge Hayes, who is Mr. McCarthy's representative, is all at sea and has evidently exhausted his influence. The attorneys for the Chicago packers are meeting to-day to discuss the subject and the probable result will be that Mr. McCabe will be asked to go to Washington as their representative. I take it that this will be satisfactory to our principals all around.

A. B. STRATTON.

MARCH 9, 1914.

Mr. GEO. P. McCABE,
610 Harris Trust Building,
Chicago.

DEAR MR. McCABE: In accordance with our conversation the other day regarding your bill for services rendered in the Washington matters, Mr. Urban asks that I send you a check for \$500. I trust this will be satisfactory.

Yours, very truly,

ARMOUR & Co

MARCH 12, 1914

Mr. HENRY VEEDER, Mr. M. W. BORDERS, Mr. RALPH CREWS, Mr. A. B. STRATTON,
Mr. R. C. McMANUS,
Chicago.

DEAR SIRs: In conference with Mr. Geo. P. McCabe, it was arranged by Mr. Stratton, Mr. McManus, and myself, that he should go to Washington on Monday, in an attempt to have the proposed United States net weight regulations modified so as to be more practical from our standpoint.

Mr. McCabe discussed with me personally the matter of fees, and it was arranged that he should have a minimum fee of \$1,000 and expenses, and that I would see that he had something additional, dependent upon the results which he secured. It seems to me as though this presents a very reasonable basis, considering that five of us have agreed to pro-rate equal to our recent legislative percentages.

If there is any objection on the part of anybody, please advise promptly.

Yours, truly,

THOMAS CREIGH

CHICAGO, March 12, 1914.

MEMORANDUM.

T. E. Wilson agreed over the telephone that Morris & Co. would be a party in sending Mr. McCabe to Washington in an effort to have the Department of Agriculture modify their net-weight regulations as to wrapped meats, upon the following percentage basis: A., 29.266; C., 10; M., 14.983; S., 35.75; S. & S., 10.

He thought that McCarthy should be notified and that McCabe should be instructed to work with and under McCarthy, and that McCabe's fee should be contingent and should not be in excess of \$1,000, and should be contingent upon success.

Mr. Crews stated that the S. & S. Co. would come into the arrangement to send McCabe to Washington concerning net-weight regulations.

MARCH 17, 1914

Mr. HENRY VEEDER, Mr. M. W. BORDERS, Mr. RALPH CREWS, Mr. R. C. McMANUS,
Mr. A. B. STRATTON, Mr. FERRIS (MORRIS & Co.),
Chicago.

CONFIDENTIAL.—UNITED STATES NET-WEIGHT REGULATIONS.

DEAR SIRs: Mr. McCabe returned from Washington on Saturday, and in conference with me yesterday reports as follows, which I am requested to pass along for your personal information:

It appears that the proposed regulations have not as yet been signed by any of the three Secretaries, and that the Secretaries of Commerce and of the Treasury stated that they did not desire to take any action until after the prior approval of the Secretary of Agriculture; the latter has referred the matter to his solicitor, Mr. Caffey, who is at present principally engaged with the new Bureau of Animal Industry regulations, but the net-weight regulations are being worked over by some of his subordinates, who, through the activity of certain parties, having been somewhat prejudiced against us, at least to the extent of having been told that there is nothing in our contentions, which fact had caused them to not consider the matter very carefully.

After some three days spent in visiting around with all these parties, Mr. McCabe feels that the situation has been greatly improved, and he has secured an understanding that he is to have two weeks in which to submit a brief. He desires us to each make up for him information respecting the following:

1. He learned of reports originating in South Omaha to the effect that on certain wrapped packages the packers used a clay preparation to increase the weight. Please give such explanation of this as may show your attitude.

2. The department's attitude seemed to be that it was a profitable operation to the packers to sell wrapped meats, getting a ham or bacon price for the covering. He combated this by the statement that this was not correct and was demonstrated in two ways: First, that only some 25 to 30 per cent at most was sold wrapped, and that not to exceed 5 to 10 per cent of this amount ever reached the consumer in the original wrapping; and, second, that the cost of wrapping, including labor and all materials used was approximately the same and in some cases in excess of the amount of the ham or bacon price (wholesale) applied to the weight of the materials.

Mr. McCabe requests that each of us submit to him in writing a statement or test showing actual cost—of all materials and labor in detail—for wrapping hams and bacon. Also, the weight of such materials and the wholesale price of the article at the time. Our people advise me that we can work this out during this week very easily. Can you do the same? Please give separate test for each kind of wrapping used.

3. It is also regarded as very important, if we can get some more definite figures respecting the percentage of wrapped hams and bacon which reach the consumer in that form. We have two weeks in which to assemble the information. It occurs to me that we all ought to be able to compile on a weekly or monthly basis, for a recent period, the output at packing houses (including separately the smoking output at branches) of hams and bacon, the number of pieces and weight of same, and that these can be analyzed so as to show the percentages of unwrapped and the percentages of each particular kind of wrapping.

Also, that the branches and other selling agencies could take their sales during a similar period, and have their salesmen ascertain from these customers the approximate percentage sold in the wrapped piece to their consumers, even, including hotels and boarding houses. This latter, however, if given, should be separated, if possible. This ought to be a favorable season for getting a satisfactory percentage.

4. The department is now taking the position that, as regards dealers or purchasers having their own scales, it is not supposed to be the purpose of the net weight amendment to protect them, and there seems to be a good prospect of eliminating any shipping box or barrel or other large dealer's package from the regulations.

I hope that each of the parties will assemble some specific information. It might be well if the Chicago superintendents would somewhat compare results of the costs best before submitting them.

Yours, truly,

THOS. CREIGH.

GEO. P. McCABE, 610 HARRIS TRUST BUILDING,
Chicago, March 17, 1914.

Chicago, Ill.

Receipt of your check for \$500, and desire to thank
see me sometime.

GEO. P. McCABE.

THE CUDAHY PACKING Co.,
LEGAL DEPARTMENT,
111 West Monroe Street, Chicago, April 1, 1914.

A. B. STRATTON, Esq.; R. C. McMANUS, Esq.,
Chicago, Ill.

DEAR SIR: The attached are self-explanatory. I see a few typographical errors, which, of course, were corrected on the original; but I guess you can figure out the meaning as it is, and that your figures will somewhat approximate, and that they will be in shortly; perhaps you have already sent them to Mr. McCabe.

Yours, truly,

CREIGH.

[Telegram.]

YONKERS, N. Y., May 13, 1914—1.32 a. m.

T. E. WILSON, Chicago:

Weight regulations will be issued early to-morrow morning; will have first copy and will wire you particulars for committee. Please notify others, including Agar, Cudahy, and Sulzberger.

GEO. MCCARTHY.

[Telegram.]

YONKERS, N. Y., May 13, 1914—1.37 a. m.

T. E. WILSON, Chicago:

Later advices from another source are that regulations will not contain package provisions, but this will come in special order next week. Will advise you particulars to-morrow.

GEO. MCCARTHY.

[Telegram.]

YONKERS, May 14, 1914.

T. E. WILSON:

Inside information is that first section covers our contention by phraseology used. Am following the situation closely, however, and will advise any definite developments. Please notify others.

GEO. MCCARTHY.

[In pencil:] Mr. STRATTON: Are you following this?

A. MEERER.

CHICAGO, ILL., May 15, 1914.

HENRY VEEDER, Esq., M. W. BORDERS, Esq., RALPH CREWS, Esq., A. B. STRATTON, Esq., R. C. McMANUS, Chicago.

CONFIDENTIAL.

DEAR SIR: In line with our understanding with Mr. McCabe, and supplementing the issuance of the net-weight regulations, which contain the paragraph as quoted in next attached, Mr. McCabe has written to Washington requesting ruling on hams and bacon, and he seems to be quite confident that the matter will pass favorably to our contention.

Yours, truly,

THOS. CREIGH.

LAW OFFICES GEORGE P. MCCABE, 610 HARRIS TRUST BUILDING,
Chicago, May 25, 1914.

MEMORANDUM FOR MR. CREIGH.

In regard to status of covered hams and bacon matter under the net-weight regulations, I am just advised that question raised by me has been submitted to the Bureau of Chemistry, to the solicitor, for decision, the terms of the sub-

mission being distinctly favorable to our contention. I am also advised that it is improbable that the solicitor will consider the matter for several days, and that it is not advisable for me to go to Washington at the present time.

McCABE.

MAY 26, 1914.

HENRY VEEDER, Esq., A. B. STRATTON, Esq., M. W. BORDERS, Esq., R. M. McMANUS, RALPH CREWS, Esq., Mr. T. E. WILSON, *Chicago*.

DEAR SIRs: The attached memo. from Mr. McCabe is self-explanatory, and is passed along for your information.

Yours, truly,

THOS. CREIGH.

[Copy.—Law Offices, Geo. P. McCabe, 610 Harris Trust Building, Chicago.]

MAY 26, 1914.

Memorandum for Mr. Creigh.

Covered hams and bacon and miscellaneous.

I am advised that solicitor has asked B. A. I. for a statement of the opinion of the bureau on the question. A. D. M. is at home sick and R. P. S. is handling the matter. My informant says R. P. S. is OK.

McCABE.

There has been no change in the law or regulations or any court decision changing the position of the department relating to the manufacture of sausage and the amount of water and cereal which may be contained therein. Dr. Steddon said that he could not imagine where any inquiry might start from unless it might be from the fact that a number of manufacturers were making a product out of meat, using as much water and cereal as they desired to use, and putting it on the market under a fanciful name, such as "Saucerero." On this product, of course, the department would have no authority to prohibit the manufacture unless impure articles were used therein.

I find, very confidentially, that the solicitor's office takes our view of the "package" proposition under the net weight law, and that the solicitor's office, including the committee acting under the solicitor, are of the opinion that the net weight law can not be made to apply to hams, shoulders, bacon, and other similar products. I am also advised that Dr. Alsberg has read the brief filed, and has expressed his opinion that the regulations should be so modified as to exempt these packing-house products from the operation of the law, and that the term "package" should be so defined as to make it refer only to an arbitrary-sized container; that is, a container into which can be placed an exact amount of food product. I understand also that Dr. Galloway is impressed strongly with this view and with the impracticability of enforcing a regulation which would require the marketing of the net weight upon hams, bacon, etc.

I had a long talk with Dr. Galloway regarding the program which has been market out, to be followed by the meat committee in its investigations. The investigation is divided into two general heads: First, the matter of production; second, the matter of manufacture. Under the first head, a thorough investigation will be made of the consumption of meat and meat products in the great consuming countries of the United States, England, France, Germany, and Belgium, together with the prices which are charged the consumer and the wholesale prices received by the manufacturer showing the discount between the two, which will give the profits to the middlemen. The methods of handling will also be inquired into in those consuming countries.

The next investigation will be as to the great producing countries—the United States, Canada, Mexico, the Argentine, Brazil, and the Australasian points of production. This investigation, in a general way, will go to the number of meat-food animals now in existence, as compared with the years past, and the general probabilities as to the increase or decrease of the meat food supplied in each of these countries. As to all these countries an investigation will be made regarding the crop products which are used for feed and the cost of these products to the farmer and producer, and the cost as represented in pounds of live animal; also, as to the possibilities of an increased production of feed and forage crops, as bearing upon the probable increase or decrease of the animal production.

As to this country, the investigation will be based upon different sections, taking the eastern sections from Ohio east, and north of the Potomac River; then the southern section east of the Mississippi; the central west section, including the States of Ohio, Indiana, Illinois, and Iowa; the northern section, including Michigan, Wisconsin, Minnesota, and the Dakotas; and the western section. Very particular inquiry will be made as to the cropping of forage lands and what methods may be used to increase the growth of planting of forage or feed crops as bearing upon the possible increased production of food animals. These sections are divided in this manner so as to localize different sectional conditions. For instance, they desire in the south to investigate thoroughly the use and effect of cottonseed meal in the feeding of animals, and the relationship of the production of cotton to the animal industry. In the great corn belt they will investigate the production of corn and also other food products to ascertain whether land can not be divided better than it is at present for the production of feed crops. In the northern section, where corn does not ripen fully, the effect of the forage crop as silage will be observed. Then, in the West, the principal question will be to determine what areas are still open to ranch cattle and the effect of the overstocking of the ranch acreage. Also the prospect of the successful cultivation of crops for feed purposes upon irrigated and nonirrigated lands.

Coming to the second general subdivision, very close inquiry will be made into methods of the production of meat from the cattle, and particular attention will be paid to the effect of the large packing houses and the investment of capital in large enterprises of this kind in driving out of business the small packer or the village meat-market man, and the effect of this condition upon prices to the consumer; whether these large plants have a tendency to cheapen the goods to the consumer, or the reverse. Particular attention will also be paid to the use of the by-products and the prices at which these by-products are turned over to the subsidiary corporations and the methods in use in turning these waste products into the various by-products of commerce. This investigation will be conducted, I apprehend, and I think it is the intention, by an examiner of the packing houses and also by taking from various sections of the country one or two carloads of cattle and hogs and sheep and sending them to the various markets, each lot being representative of the product of a particular section. These carloads will be watched carefully from the time of production of the animal to the placing of the meat or meat food product in the hands of the consumer, taking into account also the waste material which is worked into the by-products of commerce.

You will see from this fact that the investigation takes a very wide scope and they expect it will take a considerable amount of time. A meeting of the committee is to be held within the next two or three weeks, but the actual work of the investigation will not be considered until early summer, as I gather from the remarks of Mr. Galloway.

While in the B. A. I., Dr. Steddom called my attention to the fact that some of the packers were using boracic acid in the paper coverings of meats, and also in the cartons in which meats are transported; also in the gelatine covering of certain meats. He said this was a matter which could not be allowed, and he told him that I would call the matter to your attention. He indicated that no action would be taken immediately, provided the process was discontinued.

I have presented to the officials two or three times, and am again presenting to-day to Dr. Galloway, the necessity for an early promulgation of the weight regulations in order that labels may be prepared in proper time.

WASHINGTON, D. C., June 5, 1914

R. C. McMANUS,

Swift & Co., Union Stock Yards, Ill.:

Decision rendered to-day hams and bacon wrapped as desired in my brief note. In package form and weights need not be stated. Please inform those interested.

McCABE, 225 a June 6

Copy to GFS., Jr., FJK-RWH-JFG-WSJ, H. V., A. R. U.-TC-MWB-EH

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2179

THE CUDAHY PACKING Co.

JUNE 6, 1914.

Sent to C. P. Co., Chicago.

Advise Shepard, McManus, Stratton, and T. E. Wilson of Morris ruling signed to-day wrapped ham bacon not package okay as we desired.

THOS. CREIGH.

JUNE 8, 1914.

GEORGE L. MCCARTHY,

National Provisioner, New York:

By wire to you was based on wire telephoned from Washington to Baltimore which said hams and bacon, wrapped in package form, weights need be stated. A later correction showed that hams and bacon, wrapped in package form, weights need not be stated. Your position has always been that the department would hold that they need not be stated, so you are right, which is better than being President. My wire was based upon a mixed up wire through Baltimore office. Accept my congratulations.

A. R. URION.

JUNE 8, 1914.

HENRY VEDDER, Esq., R. C. McMANUS, Esq., A. B. STRATTON, Esq., RALPH CREWS, Esq., M. W. BORDERS, Esq.,
Chicago, Ill.

DEAR SIR: The inclosed, will no doubt, be very gratifying to you, and shows the very sensible attitude taken by Dr. Alsberg in response to brief in our behalf filed by Mr. McCabe.

No doubt Mr. McCabe will shortly submit his bill for services and disbursements.

Yours, truly,

THOS. CREIGH.

[Law Offices Geo. P. McCabe, Chicago.]

JUNE 15, 1914.

DEAR MR. CREIGH: You asked me for a bill on the net-weight matter. The amount is \$1,274.30, made up of the following items:

Expenses, two trips to Washington—

First trip, one-half expenses.....	\$79.50	
Second trip, full expenses.....	120.00	
		<hr/>
		\$199.50

Long distance telephone—

Six conversations with Washington, D. C.....	28.50
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Telegram.....	5.00
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Printing, 250 copies of brief (bill herewith).....	40.70
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Fee	1,000.00
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1,274.30

Very truly, yours,

Geo. P. McCabe.

Mr. THOMAS CREIGH,

General Counsel, Cudahy Co., Chicago, Ill.

[The Cudahy Packing Co., 111 West Monroe Street, Chicago, legal department.]

JUNE 16, 1914.

A. R. URION, Esq., HENRY VEDDER, Esq., M. W. BORDERS, Esq., RALPH CREWS, Esq.,
Chicago.

DEAR SIR: I have Mr. McCabe's bill on the U. S. net weight regulations, as per the attached copy.

The fee, as stated, is the amount Mr. McCabe suggested in the first place, but you will recall my previous advice to you, suggesting that if Mr. McCabe

handled the matter so that our contentions would prevail in good measure, I thought the fee should be voluntarily increased.

The results certainly seem to me to justify our making a substantial addition to his charge. I have already spoken to Mr. Union about this, and on general principles we think it not only right that Mr. McCabe should be paid on the basis of a \$2,000 fee but that it would be very good policy to encourage him in such other work as we may call upon him to do, if we now show our appreciation of his present efforts, which certainly should save us each annually from a very considerable additional cost, assuming that the rulings had gone the other way.

No percentage of this bill has ever been agreed upon. I suggest the percentages (including S. & S.) upon which the first payment in the sausage case was made are properly applicable. If there is any serious objection to this, we stand ready to prorate the total of \$2,274.30 as suggested above equally among five parties. Kindly advise me as to your ideas, or let us have a conference on it with a view to promptly adjusting the bill.

Yours, truly,

THOS. CREIGH.

JUNE 19, 1914.

Mr. THOMAS CREIGH,
Cudahy Packing Co.,
111 West Monroe Street, City.

DEAR SIR: I am just in receipt of yours of the 16th instant in re Mr. McCabe's bill, owing to my absence from the city. I quite agree with you that we should pay McCabe \$2,000, including his expenses, or \$2,274.30, and we will bear our percentage, including S. & S.

Yours, very truly,

[Robert C. McManus, Attorney at Law, Union Stock Yards, Chicago.]

JUNE 19, 1914.

McCabe fee wrapped meat matter.

Messrs A. H. and HENRY VEEDER,
76 Monroe Street, Chicago, Ill.

GENTLEMEN: Mr. G. F. Swift, jr., would like to know just what the percentages were upon which we handed the St. Louis sausage expense; this, in order that he may figure what the proposed assessment in a net-weight matter amounts to.

Upon receipt of this information I will advise you as to our views on the question of fee.

Yours, respectfully,

R. C. McMANUS.

A, 29.266; M, 14.983; S, 35.751; C, 10.000; S. & S., 10.900.

[The Cudahy Packing Co., 111 West Monroe Street, Chicago, legal department.]

JULY 1, 1914.

A. R. URION, Esq.; HENRY VEEDER, Esq.;
M. W. BORDERS, Esq.; H. C. COHEN, Esq.,
Chicago, Ill.

DEAR SIR: With reference to Mr. McCabe's bill and to my previous circular letter of June 16, all parties are now agreed that the bill should be increased to \$1,500, plus traveling expense items of \$274.30.

I find on investigating my file that my original letter showing Mr. McCabe's joint employment was dated March 12, and I inclose copy of same, which indicates that the total expense was to be prorated equally. Will each of you, therefore, forward me check of your company for \$354.66, and oblige.

Yours, truly,

THOS. CREIGH.

P. S.—I expect to have Mr. McCabe work out the complication with the Bureau of Animal Industry in connection with marking No. 1, etc., on canned-meat cases, this as per resolution, however, of meeting of some days ago, at which Mr. C. T. Lee, of Libby, McNeill & Libby, was chairman.

WASHINGTON, August 22, 1914.

E. C. HALL, A. E. UNION, A. MEEKER:

Bureau representatives considerably mixed up on net-weight law. Last decision from solicitor advises that all packages containing products of uniformity, such as hams barreled, pork sausage, and similar products, whether packed in fifty hundred or two hundred pound packages, must bear net weight. Have also decided that sausage in bags considered in package form and must show net weight. McCabe is here, and I called this to his attention, and he arranged to be present at meeting of bureau representatives and legal representatives Monday morning to discuss this matter. Will advise you later of results, and in meantime hold up net-weight circular letters if they have not already gone out.

OHERN.

NEW YORK, August 25, 1914.

UNION, A. MEEKER, E. C. HALL:

Following is copy of wire received from McCabe on net-weight loss: "Your note received; your understanding substantially correct. Solicitor will decide whether packing cases must be marked with net weight. Had two hours hearing to-day, and I am promised definite rulings on all tank weight." This is third session they have had on this subject, and it looks as though McCabe will be very fortunate in getting them to change their position.

OHERN.

NEW YORK, August 25, 1914.

UNION:

Bureau representatives were in session for three hours yesterday but didn't reverse their decision on shipping container as it now stands. They will require the net weight of contents to be placed on outside of packages. This applies to hams, bacon, sausage, barrel pork, lard in tierces, etc. They are going to give McCabe a hearing on this to-day before making final decision. Sausage in cloth bags, whether even or uneven weights, are classified as in package form and must have the net weights marked on the container. Sausage in oil may show net weight of the oil and sausage combined. They had this changed yesterday to show weight of sausage and oil separately. Sausage in pickle and separate products must show weight of the meat contents only. Will wire final decision of bureau with reference to hams, barrel products, etc., this afternoon.

OHERN.

WASHINGTON, D. C., August 26, 1914.

THOS. CREIGH,

Cudahy Packing Co., Chicago:

Parchment paper marking with net weight will not answer. Marking must be on box. These may be stamped with rubber stamp, using ink which will go through boiling process, probably carbonaceous ink. Suggest you ascertain minimum weight and stamp box as follows: Minimum weight, so many pounds, being careful number of pounds stated is small enough so that no package will fall below, and large enough so that no package will contain more than one-half pound greater than stamped weight. This best that can be had on this matter. Submit stamped samples to bureau at once. Stencil and box dies for tubs, boxes, barrels, etc., on which net weight is added need not be resubmitted. Bureau has instructed inspector not to hold out shipment on September 8d, on account weight marking, but to refer all such cases to Washington. This is distinct advantage.

McCABE.

NEW YORK, August 28, 1914.

HINTON (copy A. B. STRATTON):

Just talking with Dr. Stedden on phone. He says for present bureau will require net weight on all box containers and shipping packages, such as barrels, etc., but the final decision of Bureau of Chemistry, who has charge of enforcement this regulation, has not been given yet. Bureau will not be technical as to how we market as long as we make an effort to comply and will instruct inspectors in case of doubt to refer matter to Washington.

OHERN.

2182 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

SEPTEMBER 2, 1914.

MESSRS. HENRY VEEDER, M. W. BORDERS, RALPH CREWS,
T. E. WILSON, MOOG, GARDNER, STRATTON, McMANUS.

DEAR SIRs: Referring to the matter of net weights on shipping boxes containing pork loins and wrapped hams and bacon, Mr. McCabe advises that the order was signed by the department yesterday and will be distributed at once to the effect that the weight need not be marked on such shipping boxes.

Yours, truly,

THOS. CREIGH.

SEPTEMBER 3, 1914.

MR. T. E. WILSON, MR. JOHN O'HERN, MR. GARDNER,
MR. MOOG, MR. A. B. STRATTON, MR. R. C. McMANUS.

Chicago.

DEAR SIRs: Referring to the matter of the Federal net-weight regulations. We are inclosing herewith copies of circular letters Nos. 523 and 525 of the Department of Agriculture, Bureau of Animal Industry, making certain explanations and revisions of the regulations, which will probably be of interest to you.

Yours, truly,

THOS. CREIG.

JUNE 15, 1915.

MR. G. F. SWIFT, jr., *Second Floor:*

Mr. Bode, vice president of the Reid, Murdock & Co., called up this morning and said that he wanted to place us on notice, that he, as chairman of the uniform tare committee of the National Wholesale Grocers' Association, expects to protest to Washington on account of the ruling permitting wrapped meat to be billed "gross for net."

He says that they have been compelled to mark all their product with the net weight and to so bill it, and that he has just "put across" a ruling compelling beans in bags to be so billed and so labeled. He has also lined up a lot of other products and has practically lined up cheese, and says that the packers have been the last to line up "on the new order of things" and that he expects to make us do so.

He has made a test of 100 pieces of ham and 100 pieces of bacon and found that the wrapper on the ham weighed 250 ounces and that the wrapper on the bacon weighed 225 ounces, and that this made a difference in cost to his company of \$5.11. He says that we have no right to bill for this paper at the price of the product. For instance, if we have a cheap product paper is billed at a low price, but if it is an expensive product paper is billed at a high price.

He demands that we arrive at a uniform tare weight for hams and bacon, or perhaps two tare weights for ham and two for bacon, one for light and one for heavy. He says he does not care whether we charge an increased price for the meat, but this is the new order of things, and he is going to see that we live up to it.

Explained to him our line of cases and our briefs and the various decisions in our favor, and also that Dr. Alsberg had, after long hearings, ruled that wrapped meat was not a package, and that a package was food in a container the size of which is uniform and controlled by the manufacturer.

Suggested to him that we take the matter up with the attorney for the National Wholesale Grocers' Association, Breed, Abbott & Morgan, and told him that we had several times talked to Mr. Ackerly of that firm (this gentleman does the work for the National Wholesale Grocers' Association) and thought Mr. Ackerly understood the situation pretty thoroughly. He asked us to write Ackerly saying that Mr. Bode had taken the matter up with us, and he further suggested that we get together in a friendly way. Otherwise he wished to serve notice that he would take the matter up with Washington and do his best to get a reversal of the ruling on wrapped meats.

He has not taken this up with any of the other packers and requested us to do so.

CHARLES J. TRESSLER.

AMERICAN MEAT PACKERS' ASSOCIATION,

June 18, 1915.

MR. A. B. STRATTON,
Armour & Co., Chicago, Ill.:

To yours of the 16th instant regarding copy of letter from George J. Tressler to Mr. Swift, jr., in relation to an effort of the National Wholesale Grocers'

Association to secure a reversal of Dr. Alsberg's ruling respecting wrapped meats:

It is not necessary, of course, for me to go into any of the details of the argument either on the National or State laws on this question, as we have all discussed it so thoroughly together.

We would very likely be able to reach a conclusion with Mr. Ackerly in view of past associations, but I think we should in all events uphold Dr. Alsberg in his very broad-minded attitude on this question. We can not expect the Bureau of Animal Industry to give this consideration if pressure is brought to bear upon them, as they will then more than likely make an arbitrary ruling and let us fight it out.

I am quite sure that the association will be glad to give its support to any decision which you and your confreres agree upon.

Yours, sincerely,

GEO. L. MCCARTHY, *Secretary.*

P. S.—I wonder how Mr. Bode would like to wrap 100 pieces of hams and 100 pieces of bacon and furnish the paper for \$5.11. There might be a slight margin there, but he would have to get some volume to work it out.

JUNE 16, 1915.

Mr. GEORGE L. MCCARTHY,

National Provisioner, 116 Nassau Street, New York, N. Y.

DEAR SIR: Herewith find copy of letter from Mr. Charles J. Tressler, attorney for Swift & Co., to Mr. G. F. Swift, jr., in relation to an effort of the National Wholesale Grocers' Association to secure a reversal of Dr. Alsberg's ruling respecting wrapped meats. Have you any suggestions? The subject is being given consideration by the packers here, and we need the cooperation of your association. My own judgment is that we should stand pat, giving Dr. Alsberg all the support and encouragement possible. The Grocers' Association evidently have some grievance against the Department of Agriculture, which they are trying to satisfy by forcing Dr. Alsberg to reverse his ruling in favor of our wrapped meats.

Yours, very truly,

ARMOUR & Co.,

Attorney.

[Rubber stamp:] From files of Henry Veeder.

JULY 3, 1915.

A. B. STRATTON, Esq., HENRY VEEDER, Esq., M. W. BORDERS, Esq., W. R. BROWN, Esq., R. C. McMANUS, Esq., *Chicago.*

DEAR SIR: Answering Mr. Stratton's letter of July 1, on the subject of Bureau of Animal Industry regulation 18, section 3, paragraph 2, which involves, in our opinion, certainly an unjust stretching of the meat-inspection law, as regards branch house operations in certain cases, we will be glad to have representation at the office of Mr. Veeder on Tuesday.

In the meantime I thought you might be interested in an attempt which I was making to start something from an administration angle which might loosen up the Secretary of Agriculture. The first sheet, next attached, was filed about two weeks ago, in a personal conference which gave me an excellent opportunity to say a few things as to how we felt; the second memorandum in which you may be interested was filed yesterday with the Secretary of State.

It would be my idea that the instance Mr. Stratton now cites would be an excellent illustration of what we are up against generally, as well as, for instance, the old sausage litigation, and I would like to try to work it out on the basis of interesting some people higher up than the Bureau of Animal Industry, who I think are really trying to be quite friendly to us, but are somewhat in fear of their superiors not supporting their efforts.

I thought you might be interested in going into those matters and thinking a little of them prior to the proposed meeting.

Yours, truly,

THOS. CREIGH.

JULY 8, 1915.

DEAR MR. McCABE: This article will appear in the next issue of the American Food Journal. This for your information.

Yours, very truly,

A. B. STRATTON.

Mr. GEORGE P. McCABE,
610 Harris Trust Building, Chicago, Ill.

JULY 10, 1915.

Mr. A. B. STRATTON: I understand Mr. McCabe was employed by the packers before the Department of Agriculture and secured the exemption of the wrapping of hams and bacon from their ruling. There seems now to be some wavering on the part of the Department of Agriculture in this connection. I think Mr. McCabe ought to be retained to keep up this fight with the department. I think the others feel the same way, from the few remarks I had with Creigh and Veeder yesterday, and if it is, it might be the part of wisdom to have Mr. McCabe go down to Washington in the near future on this. In view of this, I think we ought to consult with each other and with Mr. McCabe on the steps we take in it. I judge from what Mr. Creigh says he feels a little hurt that we do not, and I suggest that you call him up, remove any feeling of injury.

I think we ought to see Breed, Abbott & Morgan along the lines we discussed the other day. I understand they do all of Morris & Co.'s work in New York, so that some arrangements ought to be made for some one of us to see them, and I think prior to the food convention, and get them straight on this, as I think their advice to the tare committee of the Grocers' Association would be very important. I would also take up with the others the question of having McCabe go out to the food convention. I don't think that this is necessary, but if any action is going to be started it might help things.

This is a pretty important matter, and we don't want to leave any stone unturned.

C. J. FAULKNER, Jr.

JULY 12, 1915.

Mr. R. C. McMANUS, Messrs. SWIFT & Co.,
Union Stock Yards, Chicago.

DEAR MR. McMANUS: I think you are mistaken in the impression that at the meeting the other day it was decided I was to see Mr. McCabe in reference to the attitude of the Bureau of Animal Industry on net weights for wrapped meats. The only thing decided, as I recall it, was that we would use our individual influence with the president of Reid, Murdoch & Co. and others to curtail the enthusiasm of Mr. Bode. I think Mr. McCabe ought to keep up the fight with the department to avoid any wavering on their part, and we are in sympathy with his being retained for this purpose. I understood Mr. Creigh was handling the subject with Mr. McCabe.

Yours, very truly,

Mr. C. J. TRESSLER,
Care Swift & Co., Union Stock Yards, Chicago, Ill.

JULY 10, 1915.

DEAR SIR: Herewith find a copy of a letter Mr. Kirk wrote yesterday to Mr. Ackerly, of Breed, Abbott & Morgan, who, as you know, are the attorneys for the National Wholesale Grocers' Association. This is in line with the suggestion of Mr. McManus, in which all at the last meeting concurred, that we use our individual influence and efforts to prevent any change in the ruling of the Department of Agriculture upon the subject or in public sentiment generally. Personally I am sorry Mr. McCabe is out of sympathy with these efforts, but our interests are too important to leave the entire handling of this matter in the hands of any one individual. As stated over the phone, there is a certain amount of general educational work that must be done to safeguard our interests, to say nothing of using our personal influence in cases where definite opposition is forming. I supposed Mr. McCabe was too broad a man to be influenced by petty jealousy in a situation of this kind. He could be of real service to us in matters before the departments at Washington and in occasional instances elsewhere, but he must disabuse his mind of the idea that the responsibility of this

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2185

whole problem is upon his shoulders. The mistake he makes is in assuming that his study of the subject, however complete, is sufficient to enable him to understand it in all its bearings upon the packing industry, a mistake common to local or special attorneys, so often proven in your experience and ours. We can not, therefore, leave our interests entirely in Mr. McCabe's hands.

Yours, very truly,

ARMOUR & Co.,
A. B. STRATTON,
Attorney.

[Breed, Abbott & Morgan, Attorneys and Counsellors, 82 Liberty Street, Mutual Life Building.]

New York, July 12, 1915.

Mr. W. C. KIRK,

Law Department, Armour & Co., Union Stock Yards, Chicago, Ill.

DEAR MR. KIRK: We greatly appreciate your kind favor of July 9. We have not been retained or directed by any client to ask the United States Department of Agriculture to change its ruling with respect to the branding with the weight of packages of wrapped ham or bacon. Should we be asked to take any action in this matter, we shall most certainly give the fullest consideration to the facts set forth in your letter, and particularly your point that a change in the present ruling might be as serious for buyers as for the packers.

Our Mr. Ackerly now expects to be in Chicago the latter part of July, and will be glad to call upon you, as suggested.

Yours, very truly,

BREED, ABBOTT & MORGAN.

JULY 14, 1915.

The CUDAHY PACKING Co.,

111 West Monroe Street, Chicago, Legal Department.

DEAR STRATTON: Referring to the attached, sometime I would like to talk with you about the question as to how this proposition is being handled.

In the first place, I was not aware that it had been discussed at the meeting the other day; neither was I aware that the attorneys' committee that was appointed had discussed ways and means.

Now, I don't want to discourage your efforts or ideas; we don't want a mix-up because of people acting without having discussed the thing. There isn't any jealousy about it, I am sure, but, certainly a council of minds is the best way to develop and succeed in a ticklish situation.

Yours, truly,

THOMAS CREIGH,
General Attorney.

A. B. STRATTON, Esq.,
Chicago, Ill.

CHICAGO, ILL., August 30, 1915.

Messrs. THOMAS CREIGH, R. C. McMANUS, GEORGE P. McCABE.

GENTLEMEN: Our people have taken occasion to take up with Messrs. Breed, Abbott & Morgan the attitude of the National Wholesale Grocers' Association and the uniform tares committee of that association in respect to the billing of wrapped hams and bacon on the basis of gross weight, and they inform us that there is no general criticism on the part of the association in this respect. We also investigated further, and apparently the only person who was agitating the subject was Mr. Bode, chairman of the committee. I think this is almost wholly a personal matter with him. Messrs. Breed, Abbott & Morgan also advise us that in their judgment our position is the only rational one, and they entirely concurred in the correctness of our method of selling this product.

This note was prompted by a copy of a note from Mr. McCabe to Mr. McManus in relation to a recent interview with Mr. Newton. The latter is Mr. Bode's personal attorney.

Yours, very truly,

ARMOUR & Co.,
A. B. STRATTON.

[Rubber stamp:] From files of Henry Veeder.

CHICAGO, ILL., August 31, 1915.

Messrs. HENRY VEEDER, M. W. BORDERS, THOMAS CREIGH, W. R. BROWN, R. C. McMANUS.

GENTLEMEN: Will you kindly attend a meeting at Mr. Veeder's office on Thursday, September 2, at 3 o'clock p. m., to consider the final steps looking to a request for the modification of the Federal regulations forbidding the shipment in interstate commerce of inspected meats from unofficial establishments where processing is done, also the subject of containers for second quality sterilized goods, and some other matters that should be taken up at this time? I am asking the plant superintendent to be present.

Yours, very truly,

A. B. STRATTON.

[Rubber stamp:] From files of Henry Veeder

SEPTEMBER 3, 1915.

Mr. G. F. SWIFT, Jr.:

At the meeting at Mr. Veeder's office yesterday, there were present Mr. Stratton and Mr. Hall, of Armour & Co.; Mr. Brown and Mr. Moog, of S. & S.; Mr. Sheely, of Morris & Co.; Mr. Henry Veeder, and the writer.

Amour & Co. appeared particularly anxious to have the matter of changing regulation 18 taken up with the Bureau of Animal Industry people at Washington and amended so as to permit the shipment, from branch houses doing processing but not having inspection, of goods in original packages bearing the inspection marks and primal parts bearing the inspection marks which have not been further processed.

After quite a little discussion of the best method of approaching the subject, it was agreed that Mr. Stratton should go to Washington next week to take this matter up for all parties concerned.

There also was some discussion of the proposed change in the regulations covering the handling of meats passed for sterilization, but considering the recent Bureau of Animal Industry Circular Letter No. 608, it was thought not to be worth while to take any action at the present time.

Curing department.

Copy to Mr. Henry Veeder, R. C. McManus, F. J. King.

SEPTEMBER 22, 1915.

Mr. W. C. KIRK,

Care of Armour & Co., law department,

Union Stock Yards, Chicago, Ill.

DEAR SIR: In view of the fact that considerable activity has been shown during the past few weeks, in various States, against wrapped meats, we are anxious to secure for publication in our October issue some up-to-the-minute editorial comment in favor of the packers' side of the case. We would suggest that this material be written under your immediate direction, so that it may be published without loss of time in sending back to you for revision.

We have no doubt that this manner of handling the case in our editorial columns will be of great value to you and we shall be glad to know that we have been of help to your cause.

Hoping to hear from you at your earliest possible convenience, we remain,

Yours, very truly,

THE AMERICAN FOOD JOURNAL,
H. B. MEYERS, *President.*

P. S.—You understand, of course, that your name will not appear in the paper under anything you may choose to write.



GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2187

[Telegram.]

WASHINGTON, D. C., November 15, 1915.

Col. R. C. McMANUS,
General Counsel Swift & Co.:

Fried Newton presented request to department to-day for reconsideration of ruling regarding hams and bacon. He was referred to Green Eight. This is merely friend tip for your information and not an attempt to break in.

McCABE.

Copy to A. R. Urion, M. W. Borders, W. R. Brown, T. Creigh, H. Veeder.

[Telegram.]

NOVEMBER 16, 1915.

Mr. GEORGE P. McCABE,
Willard Hotel, Washington, D. C.:

Interested parties unanimously wish you to handle weight matter. Please go ahead, using your best judgment.

R. C. McMANUS.

Copy to A. R. Urion, M. W. Borders, H. Veeder, W. R. Brown, T. Creigh.

WASHINGTON, D. C., November 16, 1915.

Col. R. C. McMANUS,
General Counsel Swift & Co.:

Telegraph received. Bode note (not?). Newton presented matter. Interviewed him to-night. He has blood in his eye. Has asked for hearing. I suggested joint hearing. This agreeable to him. Will see solicitor to-morrow. Have conference Bode, Chicago, early next week. Thank you for this business.

McCABE.

Copies to A. R. Urion, W. R. Brown, M. W. Borders, T. Creigh, H. Veeder.

CHICAGO, November 23, 1915.

Wrapped hams and bacon.
Memorandum for Mr. Tressler.

This morning I telephoned Mr. Bode and informed him the solicitor had agreed to a joint hearing. He referred to his conversation with Mr. McManus and inquired whether the packers had decided to make an allowance for tare on wrapped hams and bacon. I replied that I believed the decision was to continue to sell on the plan now in force. Mr. Bode stated that he would be too busy to attend to the details of a hearing during December, and suggested that I write the solicitor asking that the date of the hearing be set for some time about the middle of January, which I have done.

Mr. Bode stated he wished to put us on notice that he would secure and present at the hearing the opinions of the individual members of the W. G. A., as well as the opinions of each and every State food official on the question.

I inquired whether Mr. Newton would represent our opponents, and Mr. Bode said that as it was an association matter the association would probably desire to employ an attorney.

I shall go to work at once on this subject. Am arranging to-day for an article in the next American Food Journal, and will not neglect the State food officials. Later I would like a consultation with Mr. Tressler and Mr. Kirk.

GEO. P. McCABE.

NOVEMBER 24, 1915.

Messrs. A. B. STRATTON,
M. W. BORDERS,
W. R. BROWN,
THOMAS CREIGH.

GENTLEMEN: It has been suggested by Mr. Creigh that we exchange information as to how much both wrapped and unwrapped hams and bacon Reid Mur-

doch & Co. buy per year, letting the information cover the last three years. It is the belief that they buy very little of this product.

If the different parties interested do not wish to have their competitors receive this information, would suggest that it be given to Mr. George P. McCabe, and that he be requested to use it confidentially, and not give the figures any publicity (even to the interested parties) excepting his totals.

We have no doubt that Reid Murdoch & Co. violate the food law in many respects, even though the respects are minor. What would you think of investigating some of these violations as a back-fire proposition?

Respectfully, yours,

SWIFT & Co.,
Per R. C. McMANUS.

NOVEMBER 26, 1915.

Mr. H. P. JONES:

Can you give me the information on this? I think it will be of help to Mr. McCabe, who is handling the matter with the officials in Washington. He was the joint representative of the packers in securing the ruling of Dr. Alsberg exempting wrapped hams and bacon from the class of package goods upon which the net weight of the product must be shown. He is to handle our further interests in the matter. He is not identified with any packing company. He was formerly the solicitor for the Bureau of Animal Industry at Washington.

A. B. STRATTON.

JANUARY 11, 1916.

GEO. P. McCABE, Esq., *Chicago, Ill.*

DEAR MR. McCABE: I attach a clipping from page 16 of the New York Journal of Commerce of Monday last, which indicates that a referendum vote is being taken by the National Wholesale Grocers' Association on the following question: "Do you consider that wrapped hams and bacon are in package form?"

I don't suppose the answer to this cuts very much figure, or that if we would circularize our jobbing friends with copies of the bureau's opinion that it would materially affect the vote. Perhaps, also, it would stir up more kick-back than it would do good.

It is just being passed along the line for your full information.

Yours, truly,

CREIGH, *General Attorney.*

Copy to R. C. McManus, A. B. Stratton.

JANUARY 12, 1916.

Mr. GEO. P. McCABE,

Harris Trust & Savings Bank, Chicago, Ill.

DEAR SIR: Mr. Creigh has sent a copy of his letter to you of the 11th instant, indicating the efforts that are being made by the National Wholesale Grocers' Association to secure an expression of opinion from their members as to whether they consider wrapped hams and bacon in package form. It seems to us this is a legal rather than a practical question.

Some time ago we had the subject up with Messrs. Breed, Abbott & Morgan, of New York City, who are acting as counsel and advisors of the Wholesale Grocers' Association, and they informed us in their judgment our position in this matter was correct. Would it not be a good idea for us to secure from them something more definite upon the subject? I believe they represent Swift & Co. in certain food matters in New York as well as our company, and one or the other of us can doubtless obtain a definite written expression from them upon the subject which you could use with the department to offset, in a measure, the effect of this referendum vote. You will also of course have in mind that referendum of straw ballots are the most deceptive expressions of opinion imaginable because of the opportunity afforded by the interested parties to manipulate the returns. It is a common practice to throw out a lot of votes because they do not conform with a particular requirement.

Yours, very truly,

ARMOUR & Co.

Copy to Mr. R. C. McManus, Mr. Thomas Creigh.

FEBRUARY 2, 1916.

Mr. J. E. O'HERN:

Replying to yours of the 27th ultimo, to Mr. Durin, in respect to our representative at the hearing in Washington in the matter of the marking of weights on hams and bacon, the packers will be represented by Mr. McCabe, but my own notion is that the general superintendents and attorneys for the packing companies should be quite well represented at the hearing. There will be a good many interests to be opposed which we may have an opportunity to cultivate to our advantage, and there are undoubtedly many things about the practical side of the subject which Mr. McCabe will not sufficiently understand. There will be a meeting of the attorneys shortly, and some plan along this line, I think, will be worked out.

A. B. STRATTON.

FEBRUARY 2, 1916.

R. C. McMANUS, Esq., A. R. URION, Esq., M. W. BORDERS, Esq., E. C. COHEN, Esq., *Chicago*.

GENTLEMEN: Answering Mr. McManus's note of January 31, through Mr. Tressler, with reference to prorating on a fee for Mr. McCabe to handle the net-weight hearing in Washington for joint account.

We thought that this matter had previously been agreed to, and are very desirous that it be handled this way, believing it to be much the safest thing to do. However, this will be your memorandum with reference to our agreeing to pro rate on the fee, and we certainly hope that everybody else will acquiesce and similarly agree.

Yours, truly,

THOS. CREECH.

P. S. We also think that similar arrangement should be made with a modest fee to cover Mr. McCabe's following up the Illinois situation.

FEBRUARY 10, 1916.

Mr. E. C. HALL, care of Armour & Co.; Mr. JOHN M. LEE, care of Morris & Co.; Mr. H. D. HUNT, care of Sulzberger & Sons Co.; Mr. W. F. SHEELY, care of Morris & Co.; Mr. P. B. WEBSTER, care of Cudahy Packing Co.; Mr. W. J. GRAHAM, care of Roberts & Oake; Mr. M. O. ROBERTSON, care of Miller & Hart; Mr. R. W. TROTTER, care of Boyd Lunham & Co.; Mr. F. J. GARDNER, care of Swift & Co.

GENTLEMEN: Pursuant to meeting held this afternoon, Mr. George P. McCabe desires that we get the following information, and each of you is urged to make experiments with hams and bacon accordingly.

1. Statement showing the number and description of each kind of covering used upon hams and upon bacon.

2. Information as to the minimum weight, the maximum weight, and the fair average weight of each style of wrapping for both hams and bacon in three sizes—large, medium, and small.

3. Description of each style of covering, with data showing in what territory or for what kind of trade each style of covering is used, the idea being to meet the claim that unnecessarily heavy coverings are used. Give with the description of each kind of wrapping used approximate quantity wrapped and the necessity for that style of wrapping, territory in what sold, etc.

4. Experimental data showing the actual weight of coverings of a given class of covered hams and bacon (say 100 pieces each), selecting medium and approximately same weight pieces of meat for the experiment. These weighings are to be made of the covering before it is applied to the meat, the idea being to show the unavoidable variation in weight of covering of the same style even when applied to pieces of meat approximately the same weight.

5. Some data showing the actual weight of each covering taken from same style and weight hams and bacon, two, three, or four weeks after covering. The idea here is to show the change in the tare due to absorption, etc.

6. If available actual data showing maximum, minimum, and average shrinkage on covered hams and bacon, the idea being to show that, if marked net weights were required, they would be incorrect before sale, and that such a large tolerance would be necessary as to defeat the purpose for which marking is required.

7. The name of some practical packing-house man of long experience, who will make a good witness and who is competent and will be present at the hearing in Washington to testify to the trade custom, selling, billing, etc., of covered meats.

Please have these statements put in tabulated form as near as possible, have same sworn to before a notary public by the person in charge of the experiments, and deliver same to Mr. F. J. Gardner, care of Swift & Co., by March 1.

It is considered very important that we have a large representation at the hearing in Washington, and each firm should arrange to send one or more representatives. The hearing is set for March 8.

Respectfully, yours,

SWIFT & Co.,
Per CHARLES J. TRESSLER

[Telegram.]

MARCH 6, 1916.

F. W. LYMAN, *New York*:

Of course, you know representative of all packers will be present at hearing Washington. George McCabe, former solicitor of Department of Agriculture, is attorney representing all Chicago interests.

W. C. KIRK.

You see, a dealer who buys a wrapped ham and wants to sell it sliced will charge about 10 cents a pound more for the sliced ham, or 5 cents more, anyhow, than he would sell you the ham in the wrapper for, because when he takes that wrapper off, and the ham shrinks in the wrapper, anyhow, he may have paid 45 cents a pound for that wrapper. Now, while the price of paper and of rags is high, I will admit to-day they are not quite that high, and he has to make that up in slicing that ham.

Mr. PARKER of New Jersey. Could not this whole question be fairly determined in the courts instead of by a ruling of the Department of Agriculture?

Mr. HENRY. I do not know. I have forgotten whether it is a ruling of the Agricultural Department. It must be, then, under a statute, surely. I do not see why it could not be.

Mr. PARKER of New Jersey. They ought to have gone to the courts?

Mr. HENRY. Certainly; that is right.

I should like to say that this is not put in for the purpose of showing the Agricultural Department is not all right; this is put in solely for the purpose, now, of showing further the methods and the activities of the big packers. And these letters will show that Mr. McCabe, who was solicitor down there, goes down and gets inside information in advance, for instance, of what the ruling is going to be before it comes out. It is entirely probable that that information was given without the person who gave it thinking any harm in giving it, and I do not know that there was any harm in giving it; but the fact is, they endeavored to find out all about these clerks. Why, there are letters from Livingston to Armour, or Faulkner, and Armour & Co. to Livingston, their lobbyist here, vice president of the American National Bank, asking them to look up the associations and connections of Miss Pennington, who is in the Agricultural Department; that he wants to see what influences might reach her—rather, by what influences she might be led to make an unfair ruling, or something of that sort—and when Livingston writes back and tells who she is, and he does not give just the information Faulkner wants, he writes back and says, "What I want to know is what her associations are and the influences under which she moves, and so on."

Miss Pennington is the one who made the ruling in regard to this other thing I was going to speak about. I think that would have gone to her—the question of whether or not iced poultry may be shipped. Now, they were trying to get such an order made while I was still here with the Federal Trade Commission, and I sent one of the examiners over to see the Secretary, and he talked with Mr. Harrison over there, who is assistant to the Secretary of Agriculture, because I wanted to protest against its being made on behalf of the Federal Trade Commission, on account of the information that had been sent to us voluntarily by outsiders in regard to it, and as to the effect of it. Mr. Harrison assured this examiner it would not be made, and then I wrote a letter to Mr. Harrison, in which I thanked him for the assurance and stated the objections to it and the reasons why it ought not to be made. Then it was not made by the Agricultural Department, but just here recently it has been made by the Food Administration, and that prohibits the shipment of iced poultry. That means they put poultry in barrels, a layer of poultry and a layer of ice. Now, for the small shipper in the country, that is the only way he can do it.

This ruling, which has just been made, prohibits the shipping of poultry, except poultry that has been dry frozen, dry refrigeration. To do that you have to have the machine with which it is done in order to accomplish it. That means that they have put the shipping of poultry into the hands of the big packers only, practically.

As to the objection to this poultry, that when the ice melts off, it may turn bad. Fresh poultry iced gets slimy, because the temperature has not been sufficiently low. It is against its sale. It is on the outside. The deterioration has started on the outside, and you take that skin off and cook that bird, and it is just as sweet and nice a morsel as any fresh bird you ever tasted, if it has not gone too far.

I see one Congressman shaking his head, but I know whereof I speak, and if you will have it looked into you will find it is correct. But frozen poultry, when it once starts, it starts to get bitter at the bone, and you have all had the experience of having cold-storage poultry given to you in these big hotels, and you find the bitter taste around the bone. It spoils from the inside out.

Mr. RAYBURN. That is dry refrigeration, that last?

Mr. HENNEY. Yes; dry.

Mr. RAYBURN. Would you mind giving your opinion, right in that connection, about the rulings of the department and the regulations. Would it not be much better to have these regulations enacted into law, so that they could not be changed by one or two people? Would that be possible, or have you given any study to that?

Mr. HENNEY. I haven't given that enough thought to say. There are some places where it would be entirely possible. Now, take that package proposition; it has been enacted into law and I think very properly so, and I think the Congressman here is absolutely correct in saying that the courts ought to be able to pass upon it.

Mr. DECKER. But there is the power of regulation in that which would not enter into the Agricultural Department.

Mr. MONTAGUE. But when you get to court on the proposition, the court would undertake to pass upon what was understood in the trade as "package." That is the only way you could pass on it as a matter of law.

Mr. HENEY. The package?

Mr. MONTAGUE. Yes.

Mr. HENEY. Well, the court would determine what the intent of Congress was in using the word "package."

Mr. MONTAGUE. I mean you would just go into court as to what was a package. You would take evidence as to what is a package, and that would be understood as what the trade understood a package to be. Therefore it would be rather difficult sometimes to get the court to reach what would really be the evil to be remedied.

Mr. HENEY. But the court knows whether or not—the court will determine whether or not Congress intended to use it in the technical—according to its trade meaning, or whether Congress intended to use it in the general sense; and then if the court is wrong about what Congress intended, it is up to Congress to change it—to reenact it and make it more specific.

Mr. MONTAGUE. Of course if you keep at it far enough you could get what you want. Congress could pass another act, and the court could interpret it, and then Congress could pass another. Of course the consideration of those things, Mr. Heney, enters into it.

Mr. HENEY. Yes; but I am only saying how it usually is construed by the court. Take the Interior Department. The Interior Department makes a ruling in regard to laws passed by Congress, and 20 or 30 years afterwards they get into the Supreme Court of the United States and they hold that the Interior Department has been wrong all that time. I have in mind the soldier's additional homestead scrip.

Mr. PARKER of New Jersey. In the case of spoiled poultry, you wouldn't have to rely upon any statute, but you could simply ask for the return of your money and have the case tried as a civil suit and really get justice.

Mr. HENEY. Yes, sir.

Now, on that question of the net-weight wrapper, Mr. Klemihagen—C. C. Klemihagen—at the St. Paul hearings, page 1549 of the record, testified as follows:

I could sell this bacon 2½ cents a pound cheaper if I could get the net weight—to the consumer—because it costs me 2½ cents more, or else I will sacrifice my 2½ cents a pound on the retail price.

Excerpt from testimony of John Lichtenscheidl, St. Paul hearings, page 1585:

Q. What have you to say about the question of paying hog-product prices for paper?—A. Well, I protest every time I get a chance to do so, but it doesn't do us any good.

Q. About to what extent do you think it affects the price?—A. Well, it makes quite a difference, especially since all of the meat products have gone to such a figure that—for instance, 100 pounds of pork loins—the wrapper on it will advance the price in the neighborhood of three-quarters of a cent a pound.

On a 13-pound boiled ham, 3 ounces of wrapper; boiled ham at 39 cents a pound. This 3 ounces will cost about 6 cents, which advances the price of the boiled ham one-half cent a pound.

About a week ago I was down to Swift's plant, and was going to buy some boiled ham. I asked the manager the price of it, and he gave me the price, and I says, "Without the paper?" "No," says he. I said, "I won't pay you for the paper." "You can't have them," he says; and he wouldn't sell them to me. I went to a neighboring house there—a house that puts the product up out of the State—and of course I got that there without the paper for the same price.

Here is an interview with Mr. Martin Ertle, retail butcher, Fort Dodge, Iowa, November 15, 1917:

Mr. Ertle has only one complaint to make of unfair practices. He says that Swift, Armour, and Morris insist on wrapping heavily bacon, pork loins, and hams and charging for the paper and string at the same prices as the meat, refusing to allow net weights.

In our presence a piece of Swift bacon weighed as delivered 6½ pounds; was unwrapped and the paper and string weighed, showing a weight of 6 ounces. This was charged for at the price of the bacon—41 cents. This works out as adding 2½ cents a pound to the cost of the bacon to the consumer. Mr. Ertle says a small package weighing 4 to 6 pounds is burdened with about the same amount and weight of wrapping paper as the larger parcel. He said he could sell bacon from 2 to 4 cents a pound lower if he did not have to pay for the paper and string. The same criticism applies to pork loins and hams, except that prices are not as high on those articles.

Now, there is just one other thing that I will take up, and then if the committee desires to question me I will be glad to have them do so.

In regard to Mr. Magivny's testimony, on page 1175, and following of the House hearings, Mr. Magivny furnished lists of purchases at the St. Paul yards for the last three fiscal years of the yard operation. He introduced these figures to show evidence of the existence of competition. Let us examine these figures a little on that basis for the year 1918. The examination is confined to those animals sold for slaughter to packers and butchers. The cattle sold to traders are practically all stockers and feeders which go to the country for fattening and come back later as finished cattle. The packers do not want this unfinished stock and at the various stockyards rather encourage traders who confine themselves to trading in unfinished cattle, because they buy large quantities of hay and gain at prices fixed by the stockyards companies.

But what do we find in this analysis of purchases of stock by butchers and packers? The commission has made a classification of the figures furnished by Mr. Magivny and finds that the big five packers take 85.3 per cent of the cattle, 93.4 per cent of the calves, 92.2 per cent of the hogs, and 99.4 per cent of the sheep. The subsidiaries of the big packers take 3.7 per cent of the cattle, 2.6 per cent of the calves, 2.6 per cent of the hogs and 0.1 per cent of the sheep. These subsidiaries are the Albert Lea Packing Co., the Anglo American Provision Co., the North Packing & Provision Co., the T. M. Sinclair Co., Sperry & Barnes, J. P. Square & Co., Omaha Packing Co., the Plankinton Packing Co., Sturtevant & Haley Co., United Dressed Beef Co., and White, Peavey & Dexter.

Now, they were all listed by Mr. Magivny as rival competitors, but they are owned by the big packers. They are merely operated under other names. There are a few others, who, while not subsidiaries are more or less affiliated or tied up with the packers in some way, by leasing their plants from them or being under obligations to them in some way. For instance, R. N. Katz, who has testified before this committee that there is nothing to complain about at St. Paul, gave practically the same testimony before the Senate committee, and then admitted on cross-examination that Mr. Magivny asked him to come to Washington to testify against the Kendrick bill and had paid his

expenses. He further testified that the lease of his plant which is in the St. Paul stockyards and is leased from them is about to expire. These more or less affiliated or tied-up companies take 3.5 per cent of the cattle, 0.2 per cent of the calves, and 0.1 per cent of the hogs. This leaves for the purchases of those by butchers and packers not affiliated with the packers in any way, 7.5 per cent of the cattle, 3.8 per cent of the calves, 5.1 per cent of the hogs, and 0.3 per cent of the sheep.

Mr. Magivny furnished the figures of the Cudahy Packing Co. and Cudahy Bros. lumped together, so that it is impossible to tell what each bought. They have been figured in tables as if all were bought by the Cudahy Packing Co. Cudahy Bros. undoubtedly buy some cattle and hogs. The two together, however, buy less than one-half of 1 per cent of the hogs and less than 1 per cent of the cattle, so exact knowledge on the purchases of the two companies would affect the above percentages on cattle and hogs only a fraction of 1 per cent.

The tables which I have here for the record show full details.

In the tabulation the principal large buyers in the "all others" class are G. A. Hormel & Co. and J. E. Decker & Sons. These independent firms would naturally buy in the vicinity of their plants, say within a hundred or a hundred and fifty miles and formerly did so almost entirely. Of late years Hormel & Co. has suffered from the competitive buying in their neighborhood of the Albert Lea Packing Co. and the Cudahy Bros. concentration at Mankato. This has driven them to buy a portion of their animals in St. Paul and other stockyards.

The same is true of J. E. Decker & Sons, who have their natural territory invaded by the concentration stations in northern Iowa.

Then I have here the purchases analyzed, showing just by whom they were made.

(The papers referred to follow:)

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.

Statement of disposition of live stock to packers and butchers for year 1918.

[As furnished by William Magivny, president and general manager and classified by the Federal Trade Commission as to proportion of control by the Big Five.]

SUMMARY.

	Big Five.		Subsidiaries of Big Five.		Big Five and subsidiaries.		Affiliated.		All other.		Total.	
	Num-ber.	Per cent.	Num-ber.	Per cent.	Num-ber.	Per cent.	Num-ber.	Per cent.	Num-ber.	Per cent.	Num-ber.	Per cent.
Cattle.....	537,582	85.3	23,050	3.7	560,632	89.0	22,027	3.5	47,221	7.5	629,880	100.0
Calves.....	224,463	98.4	6,307	2.6	230,770	96.0	529	.2	9,191	3.8	240,490	100.0
Hogs.....	1,813,459	92.2	49,969	2.6	1,863,428	94.8	2,138	.1	100,821	5.1	1,968,387	100.0
Sheep.....	211,351	99.6	247	.1	211,598	99.7	25	.....	56	.3	212,183	100.0

DETAILS.

	Swift.	Armour.	Wilson.	Morris.	Cudahy.	Subsidi- aries to Big Five. (See text.)	More or less affil- iated. (See text.)	All others.	Total. ¹
Cattle.....	417,449	97,053	15,257	3,767	24,066	23,056	22,017	47,221	629,880
Calves.....	212,874	2,598	916		3,073	6,307	7,529	9,191	240,490
Hogs.....	1,244,349	569,110				49,969	2,138	100,811	1,966,387
Sheep.....	194,222	4,306			12,813	12,247	18,25	14,560	212,183

¹ Not including animals sold to dealers and country buyers, as follows: Cattle (mostly stockers and feeders), 836,108; calves, 39,901; hogs, 272,037; sheep, 110,432.

² Figures as furnished by Mr. Maginney include Cudahy Bros. Co. (independent), Cudahy, Wis.

³ Comprising 15,356 to Albert Lea Packing Co., Albert Lea, Minn. (Wilson); 1,316 to Peerless Packing & Provision Co., Chicago (Morris); 2,556 to Plankinton Packing Co., Milwaukee (Swift); 3,824 to United Dressed Beef Co., New York City (Swift).

⁴ Comprising 15,053 to R. N. Katz, South St. Paul; 5,596 to J. Agar & Co., Chicago; 1,311 to Independent Packing Co., Chicago; and 267 to L. Pfaelzer & Sons, Chicago.

⁵ Includes 1,193 to J. F. Decker & Sons, Mason City, Iowa, and 4,554 to Geo. A. Hormel & Co., Austin, Minn.

⁶ Comprising 5,965 to Albert Lea Packing Co. (Wilson) and 342 to T. M. Sinclair & Co., Cedar Rapids, Iowa (Wilson).

⁷ Comprising 500 to R. N. Katz and 29 to J. Agar & Co.

⁸ Includes 851 to J. F. Decker & Sons and 355 to Geo. A. Hormel & Co.

⁹ Comprises 7,590 to Anglo-American Provision Co., Chicago (Armour); 11,875 to Hammond Packing Co., South St. Joseph, Mo. (Armour); 18,366 to North Packing & Provision Co., Cambridge, Mass. (Swift); 2,110 to Omaha Packing Co., Chicago (Swift); 2,616 to Sperry & Baines, New Haven, Conn. (Swift); 2,929 to Springfield Provision Co., Springfield, Mass. (Swift); 1,560 to J. P. Squire & Co., Cambridge, Mass. (Swift); 2,923 to White, Peavy & Dexter Co., Worcester, Mass. (Swift).

¹⁰ Comprises 71 to R. N. Katz; 2,067 to the Independent Packing Co.

¹¹ Including 16,657 to J. F. Decker & Sons and 61,541 to Geo. A. Hormel & Co.

¹² All to Albert Lea Packing Co.

¹³ All to R. N. Katz.

¹⁴ Including 206 to J. F. Decker & Sons.

Then the last thing is, I wanted to call attention to how the big packers have engaged in a number of lines of business. One of them has a bumping post manufacturing plant out at the yards. They manufacture bumping posts—it is rather out of date now. We took letters from their files that showed that their traffic manager, the traffic manager of the packing company, took up with one of the railroads the proposition that they had not bought any posts for some time, and didn't they think it was time? And then the correspondence showed that he called upon the manager of the road and succeeded in getting him to agree that he was going to buy more posts in a short time than they had ever bought in the same period before, as I recall it. At any rate, they were going to make quite a purchase. Now, that furnishes an easy way of getting a rebate under cover. If the profit on those bumping posts is larger than it ought to be, it amounts to a rebate, if it belongs to the packing company, and the fact that the traffic manager of the packing company, who was not an official of the bumping post company, is the man who takes it up with the railroad company in regard to the fact that they had not been purchasing for some time, throws light upon the influence that is brought to bear in order to make it go.

Now, Swift & Co. control a company in Chicago which has made a very large amount of money and made it very rapidly, and that is the Chicago Bearing Metal Co., and that turns out a product which is sold entirely, or almost entirely, to the railroads. This company was originally organized in 1906 by a small group of men in Chicago who endeavored from the first to secure the interest of the packers. They had patent rights for babbitt and bearing compositions that proved to be extraordinarily strong and also were capable of endur-

ing more friction than the general run of brasses without getting too hot. The packer financial interests eventually became interested and within a few years, probably three, had secured the entire business for themselves and their friends. The company manufactures bab-bitt and brasses for use in journal boxes of rolling stock. Their product is sold to a great number of railroads and car companies throughout the United States. Among the large purchasers of railroads are the Pennsylvania and the New York Central systems.

The outstanding stock at the present time is \$3,030,000. After thoroughly investigating the company's various reorganizations from its books, the commission believes that it is barely possible that as much as \$250,000 in cash was ever put into the business. The difference of \$2,780,000 is water; \$250,000 of which was issued for patents and \$2,530,000 as stock dividends. So it was not water in that sense, because it was earnings. During the past five years' operation, profits amounted to one and one quarter million. Out of this, cash dividends averaging 7 per cent have been paid on the capital stock outstanding.

On November 3, 1917, there was a surplus of \$883,000. If the cash investment may be taken as a basis for dividends, it may be seen that dividends of approximately 85 per cent have been paid annually and that a surplus of about 350 per cent has accumulated.

The largest individual owner of stock in the Chicago Bearing Metal Co. is Edward F. Swift, although his name does not appear in stockholders' list. In the spring of 1918 he owned at least 6,990 shares; 1,800 shares appear in the name of two old employees of Swift & Co., one of whom is no longer with the company; the other is C. F. Stephenson. Five thousand one hundred and ninety shares are in the names of three fictitious persons, whose addresses are given as the Union Stockyards. The names used for this purpose are L. B. Robinson, H. B. Natchez, and L. R. Poor. The addresses of the first two is in care of Mr. C. F. Stephenson, employed by Mr. Swift; the address of Mr. Poor is merely, according to the stockholders' list, "Union Stockyards, Chicago, Ill." Mr. Stephenson made reply for the first two fictitious persons, but the commission had great difficulty in receiving any returns from questionnaires addressed to L. R. Poor, for all communications were returned undelivered. The Chicago Bearing Metal Co. was advised of this and requested to place the questionnaire in the hands of the proper party. After considerable delay this was done, when it was turned over to Mr. Stephenson, who promptly submitted the same information that he had for the questionnaires addressed to L. B. Robinson and H. B. Natchez, viz, that "Mr. Edward F. Swift, is now, and at all times has been, the owner of this stock which was taken * * * during the early life of the company and during the time when it was not known how much of a success the company might be."

Practically every remaining stockholders of this company belongs to the so-called Swift-Tilden group. By this is meant that they are Swift employees or they are men associated with the Swifts and Tildens in cooperative financial enterprises. Familiar names among these are the Aarons, Agar—that is the Agar who testified here, a small, independent packer, who said there was nothing wrong, and who was connected with the Western Packing & Provision Co. of Chicago, as a stockholder; and Mr. Groves of that company, gave a

statement to our examiner that they discovered that he was trying to get an option on the majority of the stock for Edward Tilden, then president of the National Packing Co., which is owned by Armour, Swift, and Morris, and when they discovered what he was doing—it was an independent concern made up of a number of independent packers who had gotten together and organized it—they threw him out—insisted on his getting out. Familiar names among these are the Aarons, Agars, Bicketts, Blumenthals, Messrs. Fay, Frederick, Murphy, Newton, Patterson, Russell, Stephenson, and Tighe; and Edward Tilden & Co. Mr. Fay, of Swift & Co., owns 2,316 shares, all of which appear in the name of C. A. Bicketts. Edward Tilden & Co. owns 2,238 shares, 1,200 of which appear in the names of other parties.

Mr. Winslow asked yesterday that I secure a statement of the financial condition of the Iowa Rendering Co. for the year, and I have secured it for the year, the 15 months ending December 31, 1916, and it is as follows:

Statement of the financial condition of the Iowa Rendering Co., for the year (15 months) ending Dec. 31, 1916.

ASSETS.

Building and machinery-----	\$17,794.75
Furniture and fixtures-----	281.70
Horse and wagon-----	1,447.25
Tools and movables-----	158.93
Merchandise and supplies on hand-----	4,488.41
Cash on hand-----	39.93
Live Stock National Bank-----	14,258.74
Notes receivable-----	12,500.00
Accounts receivable-----	133.29
Unearned insurance-----	400.33
Total-----	51,513.33

LIABILITIES.

Capital stock-----	25,000.00
Reserve for taxes-----	513.25
Reserve for income tax-----	500.00
Reserve for depreciation-----	92,803.05
Divident payable January 1, 1917-----	1,250.00
Profit and loss-----	14,447.03
Total-----	51,513.33

Mr. WINSLOW. I would like to see that a moment.

(Mr. Heney handed the paper to Mr. Winslow.)

The CHAIRMAN. Have you finished your statement, Mr. Heney?

Mr. HENEY. Yes; Mr. Chairman.

The CHAIRMAN. I believe, Mr. Sanders, you are the next one to interrogate the witness.

Mr. SANDERS. I have only one or two things. I am very much interested in the food control. In the section of that control that indicates and fixes the price of sugar a Mr. Rolph is in charge, who I understand is from California. Is that a fact?

Mr. HENEY. Mr. Rolph?

Mr. SANDERS. Mr. Rolph.

Mr. HENEX. I don't think I know him, but I have a slight impression that a brother of the San Francisco mayor is on here.

Mr. SANDERS. What I want to know is this: I have been told that he is connected with the sugar refineries of the Pacific coast. I want to know whether you knew that was a fact or not?

Mr. HENEX. I really don't know.

Mr. SANDERS. You are a Californian, aren't you?

Mr. HENEX. Yes. I am quite sure he is a brother of the mayor out there in San Francisco. I know him very well but I don't know this man.

Mr. SANDERS. Is the mayor of San Francisco connected with the refining business?

Mr. HENEX. No; he is in the shipping business.

Mr. SANDERS. This man who is in charge of the sugar division, there is no doubt in my mind from what I have heard, is connected with—what is the name of the Sugar Trust on the Pacific coast?

Mr. HENEX. Spreckles?

Mr. SANDERS. The name of it. On the Atlantic coast it is the American Sugar Refining Co. What is the name of the Pacific coast company—the Federal, isn't it?

Mr. DOREMUS. Federal, I think.

Mr. SANDERS. The Federal; yes.

Mr. HENEX. The Federal headquarters are in New York. I don't know—the Federal is not operating in California. This is a Spreckels sugar refinery there, which is a brother of the man who runs the Federal, and they haven't spoken to each other for 20 years. They are not operating together.

Mr. SANDERS. This Mr. Rolph is in charge of the sugar division of the Food Administration, and he lives in New York. He doesn't live out there. I understand he came originally from California.

Now, another thing, your testimony before the committee here indicates these facts: First, the interests of Armour in the stockyards is hidden under this anonymous warrant system for stock "payable to bearer."

Mr. HENEX. Yes; bearer warrant.

Mr. SANDERS. In this evidence that you have adduced here we find, for instance, in this foundry business, where Swift owns a great deal of stock that is in the name of John Doe or other fictitious people. Now, what is the real reason why these gentlemen should not openly subscribe for the stock and carry it openly in their own names?

Mr. HENEX. I don't know, Governor. I suppose there are different reasons applying to the different situations. As to the Chicago stockyards, one of the reasons—undoubtedly the main reason—for the concealment of the fact that Mr. Armour was a stockholder was the fact that the Chicago stockyards make the price for live stock all over this country. The other yards merely try to keep in line with it. The Chicago stockyards makes the price. Now, that is conceded by Mr. Armour, Mr. Swift, and the rest of them.

Mr. SANDERS. We all know that to be a fact.

Mr. HENEX. Yes; but they conceded it. Now, the packers themselves—

Mr. SANDERS (interposing). You mean the Chicago market makes the price?

Mr. HENNEY. The Chicago market, I mean.

Mr. MONTAGUE. Let me be clear in that—whether he means the stockyards or the market.

Mr. HENNEY. I mean the market.

Mr. MONTAGUE. Because Armour and these other men all denied here that the stockyards had anything to do with the prices.

Mr. HENNEY. Yes; I mean the sales, the market.

Mr. SANDERS. The Chicago market indicates what the other markets will be all over the land.

Mr. HENNEY. Yes. Now, the packers know that the live-stock producers have complained that the ownership of the stockyards by the packers have led to manipulation; that it intimidates the commission men, who have to get their offices from them and get the assignment of their pens from them. The stockyards company assigns the pens to the commission men. There are miles and miles of alleys out in the Chicago yards. If you have never been there it is necessary to have some idea of the area that it covers in order to understand what it means to be located in the proper place with your pens, and each commission man is assigned pens into which the cattle that are shipped to him by his customer are driven. The location of those pens cuts considerable figure in regard to outside buyers. With a favorable location you are apt to have the outside buyers come to your pen and make you offers for your stock. There are other places where a man might have to walk 2 or 3 or 4 miles in order to get to it, and that man is not as apt to do a good business. In other words, it is on the same principle that a place of business on the main street of Washington or any other city is better than a place of business off of the main street. There are advantages in locations in the same way in those pens, and the stockyards control them. Now, that has quite a little influence over commission men in regard to whether they want to do business the way the big packers want it done, and there are numbers of other things of the same sort besides the renting of offices, etc.

Now, the packers know that the live-stock growers believe that the yards are manipulated to their disadvantage, and that the prices of feed are high, and so on, and that that manipulation of the yards has something to do with the market price of cattle there, and of sheep and hogs, so the packers have vigorously asserted at all times that the Chicago stockyards, where the market for the country is made, are absolutely independent, free yards. For that reason, although Mr. Armour acquired his interest in 1911, when Mr. Meeker testified before the Judiciary Committee of the House on the Borland resolution, he testified that Mr. Armour owned no interest in it, and that Armour & Co. owned no interest in the Chicago stockyards.

Mr. SANDERS. When, as a matter of fact, he did?

Mr. HENNEY. He had owned it for nearly five years.

Mr. SANDERS. Then, the idea in hiding the Armour interests in the Chicago stockyards is for the purpose of convincing the people who sell stock that the packers had no interest in that yard?

Mr. HENNEY. That is right.

Mr. SANDERS. Now, would that argument of Armour—hiding his interest—would it apply also to Swift and the others of the big five, if they do that?

Mr. HENEX. Yes; the ownership of Morris in the Kansas City yards was concealed, and Mr. Thayer, who is now the president of the Chase National Bank, and who came there from Boston, where he was president of a bank, was the president of the Kansas City stockyards, and a large number of shares of stock—I have forgotten the number; something over 6,000 shares, as I recall it now—stood in the name of Mr. Thayer. I subpoenaed Mr. Thayer to a hearing in Washington, put him on the witness stand, and he admitted that he never owned those shares of stock for the fraction of a second of time; that at the time Morris acquired the yards—and Thayer was the man who helped bring about that acquisition, who helped promote that reorganization that took Morris into it—that Thayer took, in his name, the shares of stock, for Morris, indorsed the certificate and handed it over to Morris; that is the last he ever saw of it. Now, he owned a few shares—I have forgotten the number, but very few—less than 50, as I recall it. He is a banker, a man of means, and he has held forth that he owned all these shares of stock, was president of the company, and Morris & Co. is kept out of sight.

Mr. SANDERS. Then, you think that these gentlemen hide their interests in the stockyards in order to try to fool the people into the belief that they have no interest?

Mr. HENEX. Undoubtedly.

Mr. SANDERS. Now, admitting that to be true, why should Swift for instance, seek to hide his interest in this other company that you have just mentioned, this one that manufactures journals?

Mr. HENEX. Now, as to that I do not know why he does seek to do that, but you know there has been a good deal of agitation against railroad rebating, and there has been a good deal of inquiry into the question of different ways in which rebating could be accomplished. I remember there was one case in which the Sulzbergers—the Government had a suit against the Sulzbergers, or a prosecution of the Sulzbergers for receiving rebates by way of claims for damages to cars, and we gathered quite a little information on that subject. They put in large claims for damages to products in a car, where the damage isn't anywhere near what they claim, and it is promptly paid by the railroads without any contest. Now, in that way rebating can be covered up without any trouble at all; it is next to impossible to prove it. This bumping-post arrangement and this metal-bearing arrangement that Swift is in are somewhat along the same lines. Now, whether they kept their names out of that and handed out the names of fictitious persons by reason of that fact I don't know, but that certainly would furnish a reason for it, and on the face of it it is hard to see any reason why they should not appear openly, if they do not expect to get an advantage in that way.

Mr. SANDERS. It must be some advantage to them to hide their property interests—cover it up—otherwise they wouldn't do it.

Mr. HENEX. I should think so.

Mr. SANDERS. I want to get back to the question of profits of these companies. Is it possible for these vast fortunes to have been built up in the packing industry on the showing made by the packer of what he makes per head on the animal that goes through his plant?

Mr. HENEX. I can not conceive of its being so.

Mr. SANDERS. For instance, Mr. Armour testified here that his profit was a mere bagatelle of a dollar a head on cattle; Mr. Morris testified that his profit was something like 69 cents a head.

The CHAIRMAN. 79 cents.

Mr. SANDERS. 79 cents. I gathered from that testimony that they were public benefactors, running their institutions practically eleemosynary, and yet I can't reconcile that small profit with the enormous fortunes that they have built up on it. Can you explain how that could be done, or do you know?

Mr. HENNEY. No; I can not. I can't believe their figures. They say figures won't lie, but we all know that figures can be manipulated.

Mr. SANDERS. Figures don't lie, but sometimes the figurer does.

Mr. HENNEY. There was one thing I would like to suggest there, along the line of the other question, that comes to my mind: Why do they do business in the names of so many subsidiaries? Now, in the first place, in many instances, these subsidiaries have a good will, a good name. They are bought out like Sinclair & Co. is bought by Wilson within the last few years, up there in Iowa. Many of the Iowans have come down here and asked me, "Is Sinclair still independent?" They don't know. Now, an independent corporation, a holding company, holds it and Wilson & Co. really owns it through this holding company, and since Sinclair's good will goes along with the business and people think they are doing business with an independent. But we found another reason. I recall one letter that we found where the question arose—and I have forgotten which of the companies it was, whether it was Swift & Co. or Armour & Co., but it was some of the big five—the question arose as to whether or not the name of the company being operated up in Kansas City or St. Louis or some one of the outside places should be changed to the name of the parent company, and the manager wrote back and said, "You know there is one difficulty that ought to be considered. We borrow considerable money from the banks here in this name, and Swift & Co."—if it was Swift & Co., whichever one of the large packers it was, and I have in mind it was Swift & Co.—"also borrow large sums, and under the Federal law there is a limitation on the amount that a bank can loan one customer"—a certain percentage of its deposit. Now, if Swift & Co. in its own name can borrow the limit, and then with a number of subsidiaries, entirely owned by Swift & Co., can borrow the limit on each one of them, why of course it makes the law ineffective.

Mr. SANDERS. That is a big advantage, of course.

Now, what were the by-products, or did your investigation show—what were the by-products, for instance, of the hogs 30 years ago?

Mr. HENNEY. They didn't give any very definite information on that. We did not secure it.

Mr. SANDERS. There has been nothing in comparison to what it is now? What was their famous expression, that they save everything except the last squeal of the hog when the knife is stuck into him?

Mr. HENNEY. Yes; but on the hogs there aren't very many by-products. By-products are mostly on the cattle, and on the cattle they have developed one after another of by-products. I say "they have developed" I don't know of any one they have developed. I wanted to

know who really developed by-products, and I asked Mr. Armour and I asked Mr. Swift before the Senate committee. For instance, I had in mind that oleomargarine was developed during the Franco-Prussian War in 1871, or in Paris at a time when they got short on butter, and I wanted to know whether there was really any one of these by-products that the packers had themselves developed, or whether somebody else in a small way, or smaller people, had been in it and developed it, and then when the packer saw what a good thing it was he just took it, because he being the producer of the raw material in his slaughtering of the cattle, he might just as well take that also, and as far as I have been able to learn from these investigations there isn't anything that the big packer has developed in the way of by-products. Now, I may be wrong about that, but there hasn't anything appeared in answer to any of my questions or in any other way.

Mr. SANDERS. He has utilized somebody else's development in order to salvage the waste, has he not?

Mr. HENNEY. Yes.

Mr. SANDERS. Well, judging from the price of meat, the price paid by the consumer—to the producer, rather—because all things are relative, and the price paid by the consumer has a relation to the price paid to the producer—have either the producer or the consumer been benefited by the development of by-products?

Mr. HENNEY. On the theory of the packer as to the price he pays for the live stock I don't see where the producer has been benefited one iota; and on the theory of the packer as to how he gets at the cost of his meat on which he aims to make a profit, I can't see where the consumer has been benefited one iota. And for these reasons, first as to the producer: The packer says that he bases the price he bids for live stock on the market price of meat, of beef, in the markets of the country and on the laws of supply and demand; that if the demand for beef is such that it is at a certain price, then he can afford to pay and does pay a certain price for cattle. Now, if that is true, the question of whether the packer makes by-products doesn't seem to have much of anything to do with the question of what he pays the producer, for the reason that he says also that when he gets at the price of—and that brings us to both producer and consumer now—that when he gets at the price of meat, as to what it has cost him, he gets at it by taking the total price he pays for the animal alive, deducting the cost of killing, and then deducting from that the market price of each one of these things which goes into a by-product—the hide, for instance, the offal, etc.—and if he deducts the market price, which is what he would sell it for to anybody else, why, then it is immaterial to both the producer and the consumer whether the packer is in the business of manufacturing them or whether somebody else is doing it, because the packer would deduct just the same amount if he was not manufacturing, and no more, because he only deducts the market price and just the market price. So it is wholly immaterial to the consumer and the producer whether the packer is engaged in the manufacture of those by-products or not.

Mr. SANDERS. Isn't it equally true that if the packer did not develop any of the by-products of the steer, that both the producer and the consumer would be relatively in the same position to-day that they would be under those conditions?

Mr. HENNEY. It would seem so.

Mr. SANDERS. The packer to-day contends that he sells beef at a profit. Admitting that he does sell it at a profit, a very small profit he claims, he could do business under those conditions, could he not?

Mr. HENNEY. Yes; by selling these other things at the market price, if which is just what he does in the way of charging them off, anyhow.

Mr. SANDERS. What I am getting at is that there have been tremendous advances made in the utilization of the wastage of live stock in the last 30 years. Now, has that utilization benefited anyone, the producers, the consumers, or only the packers?

Mr. HENNEY. Well, my analysis of it is that it has benefited the packer more than it has anybody else.

Mr. SANDERS. Well, my conclusion from your testimony and others is that it has benefited exclusively the packer. Neither the producer nor the consumer have gotten any benefit from the development of the by-products.

Mr. HENNEY. Except that, Governor, your question seems a little too broad, perhaps, in this respect: You say the development of the by-product by the packer, but you eliminate—I don't know whether you mean to eliminate the idea of its development by somebody else or not. If the by-product was not developed by somebody, there would be no market price for certain portions of what they call "by-products," and therefore the packer would have to get more for the meat.

Mr. SANDERS. Why?

Mr. HENNEY. Because he charges off that by-product. Now, in figuring his profit he charges off that by-product at its market price, but it wouldn't have any market price that way.

Mr. SANDERS. But, Mr. Heney, he says—and they all admit that in all their examinations, that they make a profit on the meat itself.

Mr. HENNEY. Yes; I know that.

Mr. DECKER. They don't say that, Governor.

Mr. HENNEY. But they make a profit on the meat itself, Governor, by charging off or crediting themselves first, we will say, with a certain price for the hide. Now, if the hide had no market value and was merely thrown away and was not used with which to make saddles and harness and shoes and other things, why, don't you see they could not credit themselves with that price for the hides.

Mr. SANDERS. I understand that; but that is not what I want at all.

Mr. HENNEY. That is what was bothering me.

Mr. SANDERS. That is not what I am talking about at all. The hide has always been a by-product, 30 years ago just the same as now.

Mr. HENNEY. Yes; always.

Mr. SANDERS. And when I talk about that I am talking on the basis of 30 years ago. If you will take what the packer sells his meat and his hide to-day for, he is making a profit on every one of his products.

Mr. HENNEY. Every one; yes.

Mr. SANDERS. There is no question in the world about that. Therefore, if they were destroyed—everything else in the steer—he could still do business on the meat and the hide, because he makes a profit on that. Then if it is largely possible that the development of all these other by-products in the last 30 years has benefited no one but the packer—it hasn't lowered the price of meat to the consumer or

raised the price of live stock to the producer, and if it was not for that, there would have been no power in the world by which these vast fortunes could have been built up by the packers, except built up by by-products.

Mr. MONTAGUE. Do you not recall—unless I am very much mistaken—that the contention here of these big packers was that their profits on the meat that you and I eat, we will say, was negligible: that their profits consisted largely in these by-products and the handling of these other things that they called “allied products.”

Mr. PARKER of New Jersey. They said they sold the meat for less than they paid for it.

Mr. MONTAGUE. They sold it for a very small price, and they said they could not have sold it for such a small price unless they made profit from these by-products.

Mr. SANDERS. That is exactly what they contend, and that is exactly what I don't believe, and that is exactly what their own figures convince me is not true, and that is exactly what I am trying to get at. If I believed what Mr. Ogden Armour and Mr. Swift and these other gentlemen testified to, I would close the discussion and would be willing to act on that basis, but I don't believe it; that is all there is to it. I believe from their own figures—and I am asking Mr. Heney whether he does not, whether he has got any figures in the Federal Trade Commission backing it up—that from—and I don't take the price of hides, because I know they control that; I am taking the price of leather products—from the price of leather products and the price of meat they do make a profit on those two things after paying the producer of the steer what they do pay.

Mr. HENEY. They make large profits on their leather.

Mr. SANDERS. Now, every other by-product that they have developed from that steer has been what the boys call “velvet” in my estimation, and I am asking you what your information is.

Mr. HENEY. I have given you all that I have, Governor, I think.

Mr. SANDERS. I did want to ask you some questions in regard to this bill, but I will not, because I don't want to take up any more time and that was brought out yesterday, but I want to bring out this one point: It is better always to endure the ills that we have, rather than to fly to those that we know not of. The packers have built up a tremendous distribution system over the Union, have they not?

Mr. HENEY. Yes; a very useful one.

Mr. SANDERS. Now, you will admit that it would be the height of folly for the Government to destroy that system of food distribution unless they had something to put in its place that would be better.

Mr. HENEY. Assuredly so.

Mr. SANDERS. Now is there any way by which the packer can be permitted to carry on his business under present, we will say, governmental regulation, but at the same time be prevented from absorbing the entire food situation of America? By that I mean not the Sims bill. I don't believe in the licensing of these people; I can't get my own consent to believe that the only way they can be regulated—that the only way the meat traffic can be regulated is by Government ownership; I can't get my own consent to that, but isn't there some method, Mr. Heney, by which these gentlemen's vaunting ambition

can be curbed and kept within reason without destroying the distributing system that they have built up?

Mr. HENNEY. Well, Mr. Armour said over before the Senate committee—and I think each of the other packers echoed it—that he didn't think they should take away the cold-storage plants of the packers, but that he didn't—because they needed them—but he didn't care how many the Government put up of its own; and I am inclined to agree with him on that. In the first place, I don't see, under our Constitution, how the Government could take away the cold-storage plants of the packers if it wanted to.

Mr. SANDERS. I don't see, either.

Mr. MONTAGUE. This bill, though, provides that that can be done, does it not?

Mr. SANDERS. Yes.

The CHAIRMAN. No; it does not.

Mr. MONTAGUE. It certainly does. It says in plain terms you can acquire and operate.

Mr. SANDERS. Yes.

Mr. HENNEY. I didn't have anything to do with preparing the bill.

Mr. MONTAGUE. I am not criticizing the bill; I am just talking about what is in the bill. It may be my views, but I am just talking about what was in it.

Mr. HENNEY. I may be wrong in my opinion; I am giving merely my opinion as an attorney and without any very careful study of the question, because I was engaged in thinking about something else from March 31 down to the time I arrived in Washington, and I haven't had any time since I got here to look into the question of law on the subject.

Mr. SANDERS. I want to get at something practical. If the Government were to establish cold-storage plants in various centers of population that would be open to the use of all alike, do you think that would be a beneficial step or not?

Mr. HENNEY. I do; very beneficial.

Mr. SANDERS. Second, isn't it conceded that private ownership of cars inevitably gives the party owning the cars an advantage over his competitor?

Mr. HENNEY. Absolutely; and I think, too, it is inconsistent with the principle of a railroad being a public utility.

Mr. SANDERS. Now, the second proposition, therefore, is, would it be beneficial for Congress to pass legislation preventing the ownership of private cars by the packers and compelling the railroads to furnish refrigerator cars to all packers, big and little alike, on equal terms?

Mr. HENNEY. Yes. You would have to follow that up, too, by making them give equality of service.

Mr. SANDERS. Absolutely. That is carried with it.

Mr. HENNEY. And Mr. Wilson says that if that could be done, he would not object.

Mr. MONTAGUE. Would that equality of service be given by the railroads as cheaply as it could be by the packers?

Mr. HENNEY. Yes; more cheaply. The railroads are paying the packers now a rental on those cars.

Mr. SANDERS. Even if it were not as cheap or as efficient, if it went to all alike, wouldn't everyone have an equal opportunity?

Mr. HENEY. I think that is the answer always to that question. I think that we can't stop to consider——

Mr. SANDERS (interposing). What I am driving at, Mr. Heney, by these questions is to see if we can't get an equal chance for everybody to go into this business.

Mr. HENEY. And if you can, and it costs a little more, it had better be done.

Mr. SANDERS. And doesn't that iron out all the troubles?

Mr. HENEY. Because it will cost much less in the long run.

Mr. SANDERS. Therefore, the establishing of cold-storage plants open alike to all upon equal terms, and taking away the private-car privilege from the big packers, and making the refrigerator car open to all alike on equal terms——

Mr. HENEY (interposing). And the icing stations should be run by the railroads, and the stockyards.

Mr. SANDERS. I am going to get to the stockyards. Who, in your opinion, must own and operate the stockyards? You and I agree that the packer ought not to do it.

Mr. HENEY. If the Government is not to do it—and that would be my choice, the Government should do it—if the Government does not do it, then it should be the railroads, and all this talk about the railroad not doing it as efficiently is mere camouflage, because Mr. J. Ogden Armour testified—I asked him if the stockyards were run any better since he got his ownership in them. He said the packers came into the yards for the purpose of getting efficiency. Then I said, “Now, are they run more efficiently since you got your ownership in 1911 in Chicago than they were before?” and he said—he smiled and said he didn't know anything about it. I said, “You mean to say that you don't have anything to do with them?” “No; nothing whatever. Mr. Prince runs them.” “Well,” I said, “Mr. Prince was practically running them before you got any interests, wasn't he, through the New Jersey company? He had a large say in it?” “Yes.” “Then your getting in there didn't make any change whatever, and you don't even look in to see how it is run. In fact, it is being neglected by you.” And that is the complaint by the live-stock commission men of Chicago. They are bitterly complaining about the way the yards are run, and to-day out there the yards are in more filthy condition than they have ever been in the history of the yards. That is what the talk is in Chicago among the men out there, and they testified to this in an arbitration proceeding I was holding, and it was not denied by anybody. The yardmaster testified to it. Animals are in there so deep in the mud that some of them die as a result of the conditions. So Armour's ownership in the yards has not bettered that any.

In the Omaha stockyards, which are controlled by Armour, the commission men have been complaining, and they have made their complaints of record; they are very strong in their protests. Among those who made these protests was W. D. Tagg, who was down here and testified, and they set out in these complaints specifically what the things are that they object to.

Mr. SANDERS. You think those are the four sore spots, do you, Mr. Heney, that we have just gone over?

Mr. HENEY. Think what?

Mr. SANDERS. That those are the four sore spots?

Mr. HENNEY. Yes.

Mr. SANDERS. That legislation ought to be directed toward those?

Mr. HENNEY. Those are the four instrumentalities of advantage which the big packer has.

Mr. SANDERS. Now, one other question and then other gentlemen want to ask you some questions, I believe.

Ought not some method be devised by Congress, if possible, whereby the packers would not engage in any business, directly or indirectly, supplying railroads with any of their necessities, so as not to be even exposed to the temptation of getting these rebates through some commercial transaction?

Mr. HENNEY. Yes; I think so, Mr. Congressman. But your difficulty, of course, is getting to be that they don't do it as a corporation. A corporation is an entity in the law, and Swift & Co. doesn't do it, and if such a law is passed they would quit doing it, if they are in it as a corporation, and the individuals would do it.

Mr. SANDERS. I can see the difficulty of it, but I am asking for the policy.

Mr. HENNEY. The policy is sound, absolutely, I think.

Mr. SANDERS. Well, I have a great many other questions, but I will not impose on the committee any longer.

The CHAIRMAN. I just want to put myself straight on one thing. A moment ago when I dissented from the statement that the bill provided for acquiring cold-storage plants I had reference to acquiring them without also acquiring the packing plants. I had my mind on what you said yesterday, Mr. Heney, about the Government putting up cold-storage plants for the use of anybody that would want to pay for the use, but not necessary as an adjunct to a packing business, per se. Now, the bill does permit, of course, the acquirement of storage facilities and land to build them on, and all these sort of things, but I did not think the bill—and do not think yet—the language permits that the Government could say, "Take Swift's or Armour's or any other packer's cold-storage plant used in connection with its packing business—take it separately and independently of such business." I don't think the bill intended anything of that sort, and certainly it would be very impractical if it did. I don't want to go into any discussion; I simply want to state how I understand the bill. Now, the language may be broad enough to do such a thing, but Mr. Colver, in making his explanation, I think, did not include such an idea. It does provide, though, for acquiring branch houses. There is no question about that—which is cold storage in a sense.

Mr. HENNEY. The branch houses are cold-storage plants, Mr. Chairman.

The CHAIRMAN. But I had reference to the cold-storage plants necessarily used in connection with the packing of meats and slaughtering of animals and preserving, independently of the branches.

Mr. HENNEY. Recently the Government of Paraguay—and Mr. Armour testified to this; I saw it in a newspaper, and questioned him about it; somebody sent me a clipping—that down in Paraguay, where there is a shipping point at Montevideo, Armour was given a concession to make a cold-storage plant out of a government build-

ing there—a large building, a stone building—and on condition, however, that he should permit anybody and everybody to store in this cold-storage plant on terms fixed by the Government. In other words, they made it a public utility; and he is required to expend a certain amount of money in it—I have forgotten now the amount, but a very substantial sum—and at the end of his 10 years the Government may take it over at a certain price or may extend it another 10 years. If it does extend it another 10 years, at the end of the second 10 years the Government gets it without paying anything. They get it and the improvements that he has put in to that cold-storage plant. But it is to be operated as a public utility, you see, practically.

The CHAIRMAN. In a sense a meat car, a refrigerator car, is a cold-storage facility, because cold storage has to go with it. I had reference to the plant—the local cold-storage plant operated in connection with the slaughtering.

Mr. ESCH. Mr. Chairman, I hope nobody on the committee will take umbrage at a suggestion I wish to make. There are quite a number who have not exercised any right of cross-examination, and I would suggest that each member try and keep within five minutes.

The CHAIRMAN. Well, of course, that is by consent. I have not cross-examined at all myself. I believe Mr. Sweet is the next.

Mr. SWEET. Now, Mr. Heney, if I understand your testimony correctly, you said that no one representing the packers, or the packers themselves, gave you notice at any time while you were handling this investigation for a hearing?

Mr. HENEY. That is right.

Mr. SWEET. Now, during that time did any member of the Federal Trade Commission inform you in any way that they had received notice from the packers or their representatives for a hearing?

Mr. HENEY. No, sir; and had anyone of them ever told me any such thing, I would have advised permitting it on condition that the packers waive immunity.

Mr. SWEET. Since your employment here have you talked with members of the Federal Trade Commission as to whether or not a request had been made by the packers or their representatives for a hearing?

Mr. HENEY. Yes; when I first got here I tried to find out whether there was anything of that sort. I had only a short talk with Mr. Colver. I don't think that in that talk with Mr. Colver—I went to see him about another matter; in fact, he sent for me to talk to me about another matter—and I don't think the question came up. I had a short talk with Mr. Murdock—well, I had quite a little talk with Mr. Murdock, and I told Mr. Murdock that I had never heard of it, never heard of the packers making any request.

Mr. SWEET. Now, then, without going further into that, you believe that it was fair to the packers, if they had made a demand of the commission at any time to have a hearing, that they were denied the hearing?

Mr. HENEY. Well, that would depend upon when the request was made. If this committee, after this hearing is over, reaches a conclusion and votes upon it and returns the matter to the House, and after it is returned to the House somebody complains, "Well, I didn't get a chance to be heard, and I would like to be heard by the

committee," I think the committee would be apt to say, "Well, it is too late, and there is no use in our hearing you now. We had a hearing; we would have heard you had you appeared. You did not appear, and we have disposed of the matter."

Mr. SWEET. Just one more question. Do you believe that the Federal Trade Commission were fair when they gave out the facts of the hearings as they proceeded without going into the matter on both sides?

Mr. HENNEY. What do you mean by that? Do you mean that holding a public hearing was unfair? Why, we went into both sides. I subpoenaed more packer men, I think, than I did any other class of witnesses at these public hearings.

Mr. SWEET. You were after the truth, were you not?

Mr. HENNEY. Certainly I was.

Mr. SWEET. In every way, and that was your only object?

Mr. HENNEY. Certainly.

Mr. SWEET. And you then claim that the facts given out from time to time as you went along were the truth?

Mr. HENNEY. I didn't make any claims. I didn't give out statements from time to time.

Mr. SWEET. I am asking you about the Federal Trade Commission giving out statements. I am asking for your opinion.

Mr. HENNEY. I don't think that the Federal Trade Commission gave it out from time to time—I don't think that the Federal Trade Commission was giving out the findings of fact from time to time. I don't believe they gave out any until they made a report.

Mr. SWEET. So, then, your position is this: That the Federal Trade Commission gave out no facts to the newspapers in any way until they made their report?

Mr. HENNEY. Not findings; not findings as being findings of theirs.

Mr. SWEET. That is all.

Mr. SNOOK. Mr. Heney, you called attention to probably more than one case, one that I remember, where one of your examiners was talking to a man who had previously been engaged in the packing business in Denver, as to how he was driven out of business by one packer reducing the price, and then another, until he was driven out of business. Do I understand you to say that the packers are still doing that, continuing that practice at this time, or was that the practice some time ago.

Mr. HENNEY. They still do it wherever a competitor starts up that they want to stop. Mr. May, who is at the head of a cooperative concern slaughtering in Madison, Wis., testified in the St. Paul hearings, and testified to the very same thing, and produced bills of certain butchers that he was able to get from them in corroboration of his testimony, and said that they took turns. The packers deny that.

Mr. SNOOK. From what you have brought up and from what you have discovered, you believe that they still continue that practice?

Mr. HENNEY. Yes; they were doing it right while we were holding our investigation.

Mr. SNOOK. I understand you to say that all of the advantage that is gotten out of the use of by-products is absorbed by the packers and that the public gets no benefit out of that. Is that your position?

Mr. HENEX. Well, the public gets no benefit out of it in the reduction of the price of meat, I mean.

Mr. SNOOK. The producer gets no more and the consumer gets his meat for no less?

Mr. HENEX. But instead of having my answer stand as yes—no, by that, I explained what I meant by that.

Mr. SNOOK. You mean that the producer gets no more for his product or the consumer gets the product for no less, because they have brought about these economies?

Mr. HENEX. I don't think they have brought them about. There isn't any evidence that they brought them about.

Mr. SNOOK. Well, because they have been brought about?

Mr. HENEX. They have been brought about. I think on their own testimony as to their theory on purchasing beef as to the price, and on their own theory as to how they arrive at their cost——

Mr. SNOOK (interposing). The public gets no benefit from it?

Mr. HENEX. The public is not benefited by reason of the fact that the packers—I hope I make myself clear—that the packer is manufacturing these by-products. The public would be just as well off if the packer did not touch them at all, because the by-products could be taken care of by somebody else and the packer would sell the stuff at the market price, and that is what he does now.

Mr. SNOOK. I wanted to make that plain.

Now, one more question. I understand you to say your recommendation would be Government ownership of the refrigerator cars. I think, plants and stockyards?

Mr. HENEX. Together with cold-storage plants in cities, in large cities, large centers, which would be open for the use on equal terms to everybody.

Mr. SNOOK. Now, you think that would restore what I will call the equilibrium of competition so that everybody could go into the business on an equal footing?

Mr. HENEX. With the exception, of course, the difference in ability and the difference in financial credit, etc.

Mr. SNOOK. Have you thought about this: All these people that are engaged in this business started in the beginning on an equal basis, didn't they? And these great concerns have grown up until they have overshadowed all these other little fellows?

Mr. HENEX. Only by special privilege.

Mr. SNOOK. Now, with the immense advantage they have, and their size, from their organization and from the money they control, would these things that you speak of all enable the small man to compete with them on an equal basis?

Mr. HENEX. Yes; most assuredly; and for the reason that they have reached a size where they have commenced to be uneconomical. And, moreover, their slaughtering plants in Chicago to-day are absolutely uneconomical by reason of the geographical position, according to their own testimony.

Mr. SNOOK. They have no advantage in size?

Mr. HENEX. Yes; they have advantage from size, certainly; but they also have a disadvantage from size. The principal advantage from size is that they can menace the small man where they have

these advantages. With the advantages taken away, their size would become a disadvantage. They say themselves the small packer makes more money in proportion than they do, and it is true, he does.

Mr. DILLON. In your investigations, was it disclosed in the hearings of any instance where the packer had bought a plant and then closed it down?

Mr. HENEX. Yes—and no. Let me see—my memory is somewhat at fault there. I remember one plant, a large plant, that had been closed down, that Swift bought and never opened up. They bought one down in Georgia that they closed down for a while, but about a year afterwards they did start it up, I think.

Mr. DILLON. We have one in my State which was bought, I think, by the Swift people and it was closed down.

Mr. HENEX. What is your State?

Mr. DILLON. South Dakota.

Mr. HENEX. Oh, yes.

Mr. DILLON. At Sioux Falls.

Mr. HENEX. Yes; Sioux Falls. It is just below Sioux Falls, isn't it?

Mr. DILLON. No; right in Sioux Falls, I believe.

Mr. HENEX. Is that a plant that was quite a large building, a stone building?

Mr. DILLON. Yes; that is the one I had in mind. My understanding was that that had closed down before they bought it.

Leaving that point, do you see any danger in the amount of capital invested in any one enterprise, for instance, taking the food supplies or taking the meat industry?

Mr. HENEX. Yes; I do. I can not reconcile myself to the proposition that the size of a business is not a matter with which we are not concerned, and I don't mean by that that I have any idea as to what limitation should be put on business.

Mr. DILLON. Couldn't that limitation maybe be put on in requiring these corporations to take out Federal charters and put in a contractual feature in each article of incorporation, and thus reduce the size of capital?

Mr. HENEX. Yes; it could be accomplished that way, for interstate business.

Mr. DILLON. Don't you think legislation along those lines would ultimately be effective?

Mr. HENEX. Well, I think ultimately it will be absolutely necessary if we are to avoid a revolution in this country.

Mr. DILLON. Now, again, what is your judgment upon the right of the Government to go into a State and operate a packing business? Is there any constitutional authority to do so?

Mr. HENEX. I would not like to give an opinion upon that without studying that particular question.

Mr. DILLON. Especially when it is used in interstate commerce?

Mr. HENEX. I wouldn't like to give an opinion on that without some study, and I haven't considered the question with any care.

Mr. DILLON. Viewing it from the standpoint of interstate commerce, would you care to give any opinion upon the right of the Government to engage in the packing industry?

Mr. HENEY. Without any study of the particular question, I don't know of anything in the Constitution that could prevent the Government from engaging in the packing business or any other business.

Mr. DILLON. Yes; it is said that the Federal Government hasn't any authority except what is expressly granted or impliedly granted.

Mr. HENEY. Well, you know I always construe the welfare provision of the Constitution of the United States as having more force than the Supreme Court of the United States has ever given to it.

Mr. DILLON. Do you think the welfare clause of the Constitution will permit the Government to engage in anything that is for the welfare of the people?

Mr. HENEY. Yes; that is my view of it.

Mr. DEWALT. Mr. Heney, you are appearing now as a witness?

Mr. HENEY. As to the advisability of it, I don't think so.

Mr. DEWALT. What was that?

Mr. HENEY. I beg pardon.

Mr. DEWALT. You are now appearing as a witness in this matter. aren't you?

Mr. HENEY. That is my understanding.

Mr. DEWALT. Therefore, as a lawyer, you would admit, being a witness, your credibility, your interest, and your feelings are of some moment in this examination. Isn't that so?

Mr. HENEY. I guess so.

Mr. DEWALT. You were the attorney for the Federal Trade Commission?

Mr. HENEY. Yes.

Mr. DEWALT. Can you now, as a witness, absolve from your mind, in giving your testimony, your feeling as an attorney and advocate for the Federal Trade Commission, and testify exclusively as a witness and as an impartial witness in this matter?

Mr. HENEY. Why, I think I can as to any question of fact. When it comes to a question of opinion I am inclined to think I would be biased.

Mr. DEWALT. That is a fair answer. Now, you subpoenaed most of these witnesses in this matter before the Federal Trade Commission, did you not—a great many of them? You have so stated in your testimony. I think that is true.

Mr. HENEY. Yes; I may have said so, but as a matter of fact I don't recall distinctly just how that was done. You see there were a number of young men——

Mr. DEWALT (interposing). You were the attorney?

Mr. HENEY. Pardon me—there were a number of young men assisting me, and from time to time they may have made out the lists and attended to it without my passing upon the particular individual.

Mr. DEWALT. But it was under your direction. Am I correct in stating that it was under your direction as counsel for the trade commission that these witnesses were subpoenaed? Is that correct?

Mr. HENEY. Oh, certainly. I will assume full responsibility.

Mr. DEWALT. Now, I will presume—and if I am not fair in my presumption please say so—that you were entirely fair in summoning these witnesses and in examining them. That is correct, isn't it? That is a fair presumption?

Mr. HENEY. I think you may presume it.

Mr. DEWALT. In other words, you would not stoop to use any methods, either by threat, intimidation, or inducement, to have a witness color his testimony or to do anything which might influence him in giving such testimony. That is another fair presumption, isn't it?

Mr. HENEY. I think it is.

Mr. DEWALT. In other words, you wouldn't use the methods which George W. Wickersham, Attorney General of the United States, says were used in the celebrated case of United States v. Willard N. Jones?

Mr. HENEY. Did he say they were used by me?

Mr. DEWALT. He says this——

Mr. HENEY (interposing). Pardon me, but did he say they were used by me?

Mr. DEWALT. Well, let me finish.

Mr. HENEY. Well, I have asked you a question.

Mr. DEWALT. Well, I will answer it. He says this, in his report; and I have the original report right here——

Mr. HENEY (interposing). Do you think that is fair?

Mr. DEWALT. Wait a minute——

Mr. HENEY (interposing). Do you think that is a fair proposition?

Mr. DEWALT. You asked me what he said, and I will answer that.

Mr. HENEY. No; I didn't. I asked you if he laid it to me.

Mr. DEWALT. I will give you just what he says.

Mr. HENEY. I asked you if he laid it to me.

Mr. DEWALT. He said:

In addition to this, an affidavit was received on the 12th instant from C. N. McArthur, who was one of Burns's agents in the field and afterwards speaker of the House of Representatives of Oregon. Mr. McArthur makes a complete disclosure of the whole situation, which leaves no possible ground for doubt. Among other things, he states that on or about July 25, 1905—the jury box was filled August 17, 1905—Burns telephoned to him that he wished to see him in the district attorney's office, and while there, and in the presence of Francis J. Heney, Burns handed him a typewritten list and said, as nearly as Mr. McArthur can remember: "Here, Mac, is a list of prospective jurors from several counties. Take it, weed out the s—s of b—s who will not vote for conviction, and return it to me as soon as possible, for we are going to make up a new jury box, and we want to be sure that no man's name goes into the box unless we know that he will convict; for, by G—d, we are going to "get" Williamson this time, you can bet your sweet life, and we will send this whole d—d outfit to jail where they belong.

The CHAIRMAN. Mr. Dewalt, your five minutes is out; but you can have a longer time if you wish.

Mr. DEWALT. Mr. Decker says he will give me his time.

Mr. HENEY. Give him all the time he wants.

Mr. WINSLOW. I yield Mr. Dewalt my time.

The CHAIRMAN. All right, Mr. Winslow, you do not want to ask Mr. Heney any questions?

Mr. WINSLOW. I will yield my time to Mr. Dewalt.

Mr. DEWALT. The Attorney General in his report further states:

I need not go further in a recital of the high-handed, outrageous conduct on the part of the officers of the prosecution in these cases. The Government can not properly countenance, nor is it expedient in these times of attacks upon courts and the judicial system of the United States, for it to lend its approval to any such procedure. In the light of the facts as they appear from the docu-

ments and reports before the department, it does not seem to me that any person convicted of land frauds by a jury drawn from the box referred to had a fair and impartial trial. For this reason I deem it my duty to advise you that in my judgment Willard N. Jones should receive a full and unconditional pardon.

And he was pardoned by the President of the United States.

In this report, which I want to introduce in the record, Mr. Heney, as you have had the privilege of introducing many of your matters, the Attorney General, if I am correct, states that on several different occasions you were cognizant of this matter; that you filed a brief covering some 77 pages, but that your reply was not satisfactory either to the department's agent or the attorney, Mr. Finch, who had authority in the matter.

I ask you again: Did you pursue in this investigation the methods it is alleged you pursued in the investigation of Willard N. Jones?

Mr. HENEX. No; and not in that investigation, either.

Mr. DEWALT. The record is made up against you; I do not know whether you did or not.

Mr. HENEX. All right; it is an ex parte record. Now, I would like to ask: What is your motive in bringing this in here?

Mr. DEWALT. My object is merely to show what the public records contain. You have accused me of partiality.

Mr. HENEX. And if you wanted to prove impartiality on my part, I think you have.

Mr. DEWALT. How is that?

Mr. HENEX. And if you want to prove prejudice on your part in regard to me, I think you have done that, too.

Mr. DEWALT. No. Prior to this meeting this morning I paid you a very high compliment, my dear sir, by saying I thought your testimony was very illuminating.

Mr. HENEX. All right. But you did not compliment me this morning when you insinuated that you did not believe me and did believe Levy Mayer.

Mr. DEWALT. I want to say in this record now that I do not believe you; would not believe you.

Mr. HENEX. Well, we are quits, then, because I wouldn't believe you, either.

Mr. DEWALT. That is your fair privilege, sir.

The CHAIRMAN. This is not very illuminating in the matter of the inquiry here. Let us proceed.

Mr. DILLON. No; and it is not very dignified for the committee: and I want, for one, to object.

The CHAIRMAN. Well, it is ended.

Mr. DEWALT. I want to put into the record the letter of Attorney General Wickersham to President Taft of May 10, 1912.

IN THE MATTER OF THE APPLICATION FOR PARDON OF WILLARD N. JONES.

WASHINGTON, D. C., May 10, 1912

The PRESIDENT.

SIR: On March 1, 1911, you commuted the sentence of Willard N. Jones to effect to four months' imprisonment in the county jail and to pay a fine of \$12,000. On March 16 you received a telegram from H. H. Schwartz, formerly chief of field service of the General Land Office, charging irregularities in the filling of the jury box from which grand jurors and petty jurors were drawn in the Jones cases, and also in the trial of the cases and your

thereto you directed a further investigation to be made and that the execution of the penalty be deferred until the investigation be completed.

Shortly thereafter additional papers were filed to sustain the charge, and a report was received from United States Attorney McCourt with which he transmitted additional papers formerly belonging to William J. Burns, detective, which were found in the United States attorney's office. All of these were sent to you April 24, 1911, with a statement that I thought enough facts were submitted to throw a very decided doubt upon the fairness and impartiality in the method of selecting the jury. And that in my opinion it would not be just to allow a man to be sent to prison as the result of a trial before a jury procured in the manner in which it was shown by the papers the jury by which Jones was tried was selected.

I stated further that the papers also tended strongly to show an atmosphere surrounding the whole prosecution which was hardly consonant with the impartial administration of justice. I referred, however, to the fact that the papers had not been submitted to Mr. Francis J. Heney, the attorney who conducted the prosecution and who was at that time in California, and recommended, in view of the delay which would result from securing a statement from Mr. Heney, that the sentence be commuted so as to relieve the defendant from actual imprisonment, or if you desired Mr. Heney's statement before acting that the papers be transmitted to him for an expression of his opinion concerning the points of criticism. On April 28, 1911, you replied saying that you believed the execution of the sentence should be withheld until the papers had been submitted to Mr. Heney for comment and answer.

Mr. Heney's report, a lengthy document covering 77 pages, dated May 23, 1911, was received by the department June 28, 1911. Mr. Heney disclaims any knowledge of the matters charged, offers explanations and conjectures regarding the alleged irregularities, and expresses the firm conviction that the charges are baseless. I read the statement and referred it to the pardon attorney, directing him to look over the report carefully, and also the papers and documents which had been received since your prior action on the case, and requested him to inform me whether or not in his opinion there was anything in the papers which should modify the conclusions shown in Mr. Heney's report. This the pardon attorney attempted to do.

On August 26, 1911, he informed me that he had practically completed the preparation of his report, and although he had reached a fairly satisfactory conclusion, there were matters which he could not settle with absolute certainty from the papers before him, and said that he thought it desirable the department should have at least some statement from Mr. Burns; that he had in my absence caused a telegram to be sent to Mr. Burns inquiring how he obtained possession of the list of names which were in the possession of Capt. Sladen and Jury Commissioner Bush prior to the filling of the jury box, to which Mr. Burns replied that there was no truth whatever in the statements that Capt. Sladen or the jury commissioner had furnished him with advance lists of prospective jurors, and stating that he would look up data and furnish the department with a complete report of his connection with the matter, which was entirely straight and honorable; that he expected to be in Washington within a short time and would then make a report and answer interrogatories by anyone interested. Thereupon, I directed the pardon attorney to delay the completion of the report until he had seen Mr. Burns. Mr. Burns, however, did not make his report or come to the department for months afterward, although repeatedly communicated with about the matter.

The papers received up to this time and reviewed by the pardon attorney in connection with Mr. Heney's lengthy report were so voluminous that the pardon attorney's brief had reached nearly 80 pages. He delayed the completion of his report styled "Supplemental report" until October 10, and then closed it with a statement that he did not think any fair or proper conclusion could be arrived at until the department had received a complete statement from Mr. Burns, and that it might be necessary to receive statements from others connected with the prosecution, and in view of the size to which his report had grown he thought it would be well to make the result of his further investigations the subject of another communication.

This he has done, styling it "Second supplemental report." It is well that he has done so and that he has delayed his report until this time, as the department is now in receipt of such further information in documentary form that there is little left to conjecture as to what actually transpired regarding

the filling of the jury box and the correctness of the charges made by petitioner and his friends.

Fortunately, this evidence is of such a character that it will not be necessary for you to follow very carefully the line of reasoning, conjecture, and comparisons of documents and reports received, which otherwise would have been required in order to reach, I think, a thoroughly satisfactory and convincing idea of what actually transpired.

Nor is it necessary to review the offenses of which Jones was convicted, for the reason that if the charges made by him are true, it matters little what the offense was; he should not be required to serve a day of imprisonment or be otherwise punished. The facts relating to the conviction are, however, fully set forth in my former report, which is sent herewith.

It is charged by the defendant and his friends that William J. Burns, who was investigating jurors for Mr. Francis J. Heney, as stated by the latter in a communication to me dated August 23, 1911, sent his agents throughout the several counties from which names of jurors had been taken for the purpose of filling the jury box, and had these proposed jurors investigated prior to the time the box was filled. It is claimed that these agents reported to Burns and that he was able in some way to control, and did control, the selection of names that went into the jury box; that in this way the jury box was filled with names of persons predisposed to convict, to wit, Democrats, Populists, Socialists and Republicans belonging to what is known as the Simon faction who were antagonistic to the so-called Mitchell faction of the Republican Party, to which Jones and the persons prosecuted belonged, and that none of the persons objectionable to Burns were selected.

It is also claimed that offenses against the public-law laws were of common occurrence by reason of the lax methods employed by the Government officials or even by their acquiescence, that very many people in that section of the country had made themselves liable to conviction and punishment under a strict interpretation of the law; and that the prosecution, through intimidation by threats of indictment and conviction, compelled witnesses both before the grand jury and petit juries to testify falsely, and that witnesses did testify falsely in the Jones and other cases. These charges have been substantially proven, particularly those relating to the irregularities in the filling of the jury box.

The department has in its possession the original reports of Burns' agents to him and those assisting him regarding the names of proposed jurors, and reports were made prior to the filling of the box. Some of the comments upon these names were as follows: "Convictor from the word go." "Socialist." "Anti-Mitchell." "Convictor from the word go: just read the Independent Populist." "Think he is a Populist. If so, convictor. Good reliable." "Convictor. Democrat. Hates Hermann." "Hidebound Democrat. Not to see any good in a Republican." "Would be apt to be for conviction." "Is apt to wish Mitchell hung. Think he would be a fair juror." "Would be very likely to convict any Republican politician." "Just convictor." "Would convict Christ." "Convict Christ. Populist." "Convict any one. Democrat." Burns' favorite way of describing an unsatisfactory juror was to designate him as a "s--n of a b--h," and lists are checked as "s--b," etc. Attached to the Polk County list found among Burns' papers is a slip bearing the following indorsement: "Pat McArthur checked all on Polk County list who were good; checked on said list for s--s of b--s."

The department also has Burns' original statements of adversely reported names, some in his own handwriting, others typewritten. Evidently Burns or some one for him, had gone over the reports received, and picked out the bad reports and had them typewritten. This was done county by county with the exception of Multnomah County, concerning which reports are not available and in practically every instance all of the names on these lists were left and occasionally were the only names left out from a particular county list. The name bore a circular check, which indicated although the name appeared upon the list, yet for some reason the proposed juror would be satisfactory.

The conclusion is obvious it would have been a remarkable coincidence if the jury commissioners to have selected for rejection even from one county only the names which were reported upon adversely and which had been selected and typewritten as above stated, but when the situation was substantially uniformity throughout all of the counties save one, it is impossible to reach any other conclusion than that Burns in some way, either by

without the actual knowledge of the jury commissioner, caused the selections to be made in conformity with his wishes.

In view of the high regard in which Capt. Sladen and the jury commissioner were held, and the positive statements made regarding the probity of these men, I am disposed to regard it as improbable that they really understood the nature of the extent of what was being done, but there is abundance of evidence, in my judgment, to show that the work was probably done by Burns acting in collusion with Marsh, who was deputy clerk at the time.

It is noticeable that the positive statements of denial are chiefly in the nature of an assertion that neither Capt. Sladen nor the jury commissioner could have been implicated in the affair. Even Burns, in his first telegram, does not reply directly, but says there is no truth in the statements that Capt. Sladen or Bush furnished him with the information; and Mr. Marsh's emphatic statements have been largely of a similar nature. Indeed, some of the information, which Mr. Burns secured and secured so promptly, it would seem could not have been obtained in any other way.

It is impracticable to go into all the details of the corroborating evidence on this point, but if there were any doubt regarding Burns's connections with the affair and what he actually accomplished, it would seem to be set at rest by his own telegram in cypher to Mr. W. Scott Smith, then secretary to Hon. E. A. Hitchcock, the then Secretary of the Interior, on August 19, 1909, the very date the jury box was filled and on which the grand jury was drawn. The department has this original telegram. It reads as follows:

"Jury commissioners cleaned out old box, from which trial jurors were selected, and put in 600 names, every one of which was investigated before they were placed in the box. This confidential."

In addition to this an affidavit was received, on the 12th instant, from C. N. McArthur, who was one of Burns's agents in the field, and afterwards speaker of the House of Representatives of Oregon. Mr. McArthur makes a complete disclosure of the whole situation, which leaves no possible ground for doubt. Among other things he states that on or about July 25, 1905 (the jury box was filled August 17, 1905), Burns telephoned to him that he wished to see him in the district attorney's office and while there and in the presence of Francis J. Heney, Burns handed him a typewritten list and said, as nearly as Mr. McArthur can remember: "Here, Mac, is a list of prospective jurors from several counties. Take it, weed out the s—s of b—s, who will not vote for conviction, and return it to me as soon as possible for we are going to make up a new jury box and we want to be sure that no man's name goes into the box unless we know that he will convict; for, by G—, we are going to 'get' Williamson this time, you can bet your sweet life, and we will send this whole d—d outfit to jail, where they belong. We are going to 'stack the cards' on them this time."

Mr. McArthur states that he became indignant, and told Burns that such methods as he proposed were altogether improper and that no self-respecting man could be a party to them; and Burns replied: "Any methods are justifiable in dealing with these s—s of b—s." He states further, that on or about September 1, 1905, he met Burns, and the latter said to him: "Well, Mac, we weeded out the s—s of b—s, at least I think we did, and we will 'get' Williamson this time and, by G—, we will get the whole d—d crowd. Old Sladen kicked like h—l, because my men worked the lists over before they went to the jury commissioners, but it didn't do the old s—u of a b—h any good, and the corrected lists went in anyhow."

Mr. McArthur, it is to be remembered, was one of Burns's agents and furnished many of the reports which are on file in the department. He claims, however, that he did so with great reluctance and under duress, and after much persuasion. He does not state the nature of the duress, but I am informed is willing to do so if you insist.

There are also on file affidavits of persons who claim that they were induced through intimidation and threats to testify falsely in the Jones case. Such representations in the absence of other corroborating evidence would not be entitled to very great weight, but when it is considered how emphatic have been Mr. Burns's denials and his statements that the whole thing is a tissue of falsehoods from beginning to end it is apparent, notwithstanding these denials, that the prosecution very probably resorted to intimidation of witnesses also.

In line with these practices, it is further shown that one of the defendants with Jones, a man named Sorensen, while he was presumptively being tried by the Government was in the active employment of Burns and received compensation from the Government under the name of George Edwards. In this way Burns kept tab on Jones, and the latter relying on Sorensen because he was a fellow defendant accepted as jurors persons to whom he would otherwise have objected.

I need not go further in a recital of the high-handed outrageous conduct on the part of the officers of the prosecution in these cases. The Government can not properly countenance, nor is it expedient in these times of attacks upon courts and the judicial system of the United States for it to lend its approval to any such procedure.

In the light of the facts as they appear from the documents and reports before the department, it does not seem to me that any person convicted of these frauds by the jury drawn from the box referred to had a fair and impartial trial. For this reason I feel it my duty to advise you that in my judgment Willard N. Jones should receive a full and unconditional pardon. In this connection, I should say that Mr. Burns has been given the fullest opportunity to make a statement. The pardon attorney went to New York and interviewed him by appointment, but could not obtain a statement from him, though he informed Mr. Burns that he had with him all of the documents that had been filed, and would be glad to show him every one and receive what comment he had to make. Thomas B. Neuhausen, Burns's right-hand man in the investigation, and also closely connected with Mr. Heney in the prosecution of the cases, has been given an opportunity to make a statement, the pardon attorney informing him of the nature of the representations made and the documents filed and indicating the conclusions to which the documents unanswered and unexplained must lead. No reply has been received. Such statements as have been secured are of an evasive character or are directly contrary to the documentary evidence before the department. Even Judge Gilbert has submitted an explanation of his former emphatic statements denying that the charges made could be true.

The course of the Executive, however, seems to me to be clear, and that he can not countenance the methods employed in the prosecution of these cases by requiring an enforcement of the sentence imposed in the Jones case, and I think also, and for the same reason, a pardon should be granted to Frank P. Mays, although my impression is that the man is really very guilty and deserving of punishment.

Respectfully,

GEORGE W. WICKERSHAM,
Attorney General of the United States

The following is a copy of a letter from President Taft to Attorney General Wickersham, under date of June 2, 1912:

THE WHITE HOUSE,
Washington, June 2, 1912.

MY DEAR MR. ATTORNEY GENERAL: I am sorry that I am so occupied as not to have time to make an extended examination of the application for pardon on behalf of W. N. Jones. From the case made it is perfectly clear that his conviction was effected by the most bare-faced and unfair use of all the machinery for drawing a jury that has been disclosed to me in all my experience in Federal court. It gives sufficient to justify the pardon of Mr. Jones, as well as the condemnation of the methods of Mr. Heney and Mr. Burns. You will send me a pardon for signature.

Sincerely, yours,

WILLIAM H. TAFT

Hon GEORGE W. WICKERSHAM,
Attorney General.

Answer of Mr. Francis J. Heney to report of Attorney General George W. Wickersham, dated May 10, 1912, in re. pardon of Willard N. Jones and others:

FEBRUARY 28, 1912

Hon. T. W. SIMS,

Chairman Interstate Commerce Committee,

House of Representatives.

SIR: In answer to the report of former Attorney General George W. Wickersham, dated May 10, 1912, to President Taft, which report was the basis

the pardon of Willard N. Jones and others, and which is filed with your committee for the purpose of discrediting my testimony in this hearing, I desire to say:

1. This is the first time this report has been used as against me.
2. At no time during the entire period while the application for the pardon of Jones was pending was I asked to defend any charges against myself.
3. Mr. Burns, with whose activities the report largely deals, was never asked or given an opportunity to reply to the specific matters on which the Attorney General bases his conjectures and conclusions. He is even up to this time prevented by the department from having access to the "information" and "evidence" on which the Attorney General based his conjectures and conclusions as to reply thereto.

Since this is the first time this report has been directed against me personally, I am very glad of the opportunity to show the utter baselessness of the charges, the lack of evidence to support the conjectures and conclusions, and what appears to be an intentional omission of evidence which was before the department at the time the report was written which would have absolutely precluded the conclusions and recommendations of the Attorney General.

In the first place, the report on its face is grossly inconsistent, and the various charges, conjectures, and conclusions belie each other.

One of the charges, which the Attorney General states "have been substantially proven" as that—

"* * * Burns was able in some way to control and did control the selection of names that went into the jury box * * * and that in this way the jury box was filled with names of persons 'predisposed to convict' * * * and that none of the persons objectionable to Burns were selected."

If this were so, there would have been little else to do but draw the trial jurors and let them convict irrespective of the evidence.

The Attorney General, however, indulges in such astonishing phraseology and illogical reasoning that it is hard to believe that it emanated from the Department of Justice. He says:

"* * * When it is considered how emphatic have been Mr. Burns's denials and his statements that the whole thing is a tissue of falsehood from beginning to end, it is apparent, notwithstanding these denials, that the prosecution very probably resorted to intimidation of witnesses also."

If Burns or anyone else connected with the prosecution had controlled the names that went into the jury box and they were "predisposed to convict," what necessity would there have been to resort to intimidation of witnesses?

Furthermore, the Attorney General says, in connection with the alleged employment of one George Sorensen:

"In this way Burns kept tab on Jones and the latter, relying upon Sorensen because he was a fellow defendant, accepted as jurors persons to whom he would otherwise have objected."

If Burns or anyone else connected with the prosecution had controlled the selection of names that went into the jury box and they were "predisposed to convict" and none were "objectionable to Burns," or the prosecution, Jones would have had very little choice as to jurors and it would have done him little good to object to any of them; so this alleged persuasion of Jones by Sorensen to select jurors "to whom he would otherwise have objected" is entirely chimerical.

I desire to state here that the jury box in question was filled with names selected by the clerk of the court and the jury commissioner under an order of Circuit Court Judge Gilbert dated August 10, 1905. The jury box was filled August 17, 1905. I left Portland, Oreg., for San Francisco August 4, 1905, to attend to personal business, and returned to Portland August 20, 1905, so that if any baneful influence was exerted by me on the clerk of the court and the jury commissioner while they were filling the new jury box, it must have been accomplished by me at quite a distance. I know that I left no instructions with Burns or anyone else connected with the prosecution to use such influence or attempt to, and I know that the evidence before the department at the time the Attorney General made his report, when analyzed without prejudice or bias, absolutely controverts his conclusions and recommendations.

It may be well to note that the Attorney General admits in his report that "oughly satisfactory and convincing idea of what actually transpired" "reasoning, conjecture, and comparison of documents

A "conjecture" according to authentic definition is "An opinion, or judgment, formed on defective or presumptive evidence; probable inference; surmise; guess; suspicion."

So much for the Attorney General's "conjectures."

I will show that the "line of reasoning" and "comparison of documents and reports" indulged in in the preparation of this report, would shame a novice in the legal profession.

On May 23, 1911, about a year before the date of the Attorney General's report, I commented on a report then before the department, as stated by the Attorney General, bearing particularly upon what then appeared conclusive to the department as to irregularities on the part of the prosecution.

These comments of mine had especial reference to words "O. K. Go in" and "Go in" which were found upon jury lists among the papers of Burns. It was assumed by the department then that these notations had reference to names that were to go into the jury box and that the prosecution was, therefore, controlling the names that went into the jury box.

After the receipt of my comments thereon, the pardon attorney in a report to the Attorney General stated:

"It seems very doubtful to me that the marking had the significance at first attributed to it."

Accordingly, no significance was attached to these notations which at first appeared to be very significant to the department.

My comments at that time also covered the fractional political situation in Oregon prior to the time of these prosecutions, showing the necessity for the common practice then and now of all prosecuting attorneys investigating persons called for jury service in important cases.

None of the specific matters in the Attorney General's report were subsequently called to my attention or the attention of Mr. Burns, neither was he nor I asked to even comment upon them, much less defend any charges.

All the charges of which Burns was informed were in general terms, and Burns denied them emphatically in general terms; and after his last interview with the pardon attorney in December 1911, Burns was left under the impression by the pardon attorney that his comments upon the charges were satisfactory to the pardon attorney, for the latter stated in a letter to Burns that he had, subsequent to the interview, found a letter from Marsh, the deputy clerk of the court at the time of the prosecutions, in which letter the pardon attorney says:

"Mr. Marsh states many material facts in his letter within his personal knowledge which have a direct bearing on the situation and which are in direct line with your views."

Burns acknowledged receipt of this letter promptly, in December, 1911, and stated:

"I think you will find that the entire case as made up by Jones was a tissue of falsehood from beginning to end, and that by the time a serious investigation is made there will be very little upon which to base Executive clemency."

Here Burns certainly was inviting a "serious investigation" but thereafter from December, 1911, to the date of the Attorney General's report, May, 1912—during which time all the specific matters upon which the Attorney General seemed to reach a final conclusion, were received by the department—neither Mr. Burns nor myself was called upon in any manner to even comment upon any of the matters. I am informed, however, that Burns did attempt to see the pardon attorney and the Attorney General during this period, he having heard in some way of the filing of Mr. McArthur's affidavit, but he was not permitted to see either of them.

It may be stated here that Mr. McArthur's affidavit was received by the Department of Justice April 12 1912, and was embodied in a report of the pardon attorney to the Attorney General on April 13, 1912, the next day after its receipt; and it was on this final report of the pardon attorney that the Attorney General's report was based.

Notwithstanding the alacrity with which this affidavit was accepted by the department, the Attorney General left the President under the impression by the language used in his report that Mr. Burns had been "given the fullest opportunity to make a statement." The language here used by the Attorney General is clearly misleading to the President, if it was not intentionally so.

Bearing in mind that heretofore neither Mr. Burns nor myself was called upon answer any of the specific matters charged in the report, I desire to make the following comment and answer to the charges therein.

The report states:

"William J. Burns, who was investigating jurors for Mr. F. J. Heney * * * had these proposed jurors investigated prior to the time the box was filled. * * * that Burns was able in some way to control, and did control the selection of names that went into the jury box. That in this way the jury box was filled with names of persons 'predisposed to convict' and that none of the persons objectionable to Burns was selected."

The department had before it at the time the report was prepared documentary evidence that absolutely contradicts each one of these statements.

The department knew that reports on persons whose names went into the jury box were made to the prosecution after the box was filled. If the facts were as stated in the Attorney General's report, there would have been on necessity for subsequent investigation of jurors.

The department had before it at the time the report was prepared documentary evidence in the form of a letter written by Mr. Burns, after the box was filled, asking for reports on jurors whose names were then in the box, in which Burns stated that "the purpose of the investigation is to ascertain if the person investigated is of a character that he can be depended upon to give the case a fair and impartial trial upon the evidence."

How the Attorney General can reconcile such language, showing a perfectly proper legitimate investigation of prospective jurors, with the conclusions he arrives at is hard to conceive.

The department also had before it a statement from Deputy Clerk Marsh that "there was a great number of names in the box of persons very objectionable to the Government."

The department could have confirmed this statement of Marsh by an examination of the voir dire of the trial juries—which, incidentally, was suggested to the department—where the record would have shown that many jurors were challenged for cause by the prosecution and likewise peremptory challenges were used against jurors by the prosecution, as well as the defense. It may be here stated that the defense in all these cases also made investigation of prospective jurors, whose names when drawn for jury service were published in the daily papers. The defendants, in fact, had quite an advantage over the prosecution in such investigations, because their attorneys and friends were frequently well acquainted in the communities from which the jurors were drawn.

If the names had been placed in the jury box under the control of Burns or anyone else connected with the prosecution, and none of them were objectionable to the prosecution, it should have occurred to the Attorney General that subsequent investigation of jurors, challenges for cause, and peremptory challenges by the prosecution would not have been necessary.

The Attorney General states:

"It is also claimed that offenses against the public-land laws were of such common occurrence by reason of the lax methods employed by the Government officials or even by their acquiescence that very many people in that section of the country had made themselves liable to conviction and punishment under a strict interpretation of the law."

This claim is fully substantiated by the evidence produced in the trial of the cases, because among the Government officials who were "lax" were ex-Senator John H. Mitchell, ex-Congressman John N. Williamson, ex-Commissioner of the General Land Office Binger Hermann, ex-United States Attorney John H. Hall, ex-State senators, United States commissioners, registers and receivers of local land offices, special agents of the General Land Office, many of whom were bribed and seduced by the defendants in these land-fraud cases.

"Laxness," however, is not synonymous with bribery and perjury, which is what made many of the defendants in these cases "liable to conviction and punishment."

The report further states:

"That the prosecution, through intimidation by threats of indictment and conviction, compelled witnesses, both before the grand and petit juries, to testify falsely.

"That witnesses did testify falsely in the Jones and other cases."

The best evidence, and evidence that would be absolutely incontrovertible from the fact that much of it was documentary in form, to prove whether or not witnesses testified falsely in any of these cases, would be the comparison of their testimony in the trial of the cases with the affidavits which they filed in connection with Jones's application for pardon, because it would require a

very tortuous reasoning to reconcile the affidavits with their testimony at the trials.

This suggestion was made to the pardon attorney long before the Attorney General's report was prepared, and as late as October, 1917, more than two years after the pardon was granted, the record shows the pardon attorney telegraphing to the United States attorney at Portland, Oreg., for a complete "transcript of evidence, Willard N. Jones case."

Furthermore the affidavit of one Wells—the principal one for Jones in his application for pardon—gives evidence on its face in support of the truthfulness of his testimony at the trial of Jones, for he says he has lived in Portland, Oreg., for the past 24 years, and in the same affidavit says he was a soldier homesteader located by Jones, in the final proof of which he swore that he lived continuously on the homestead, many miles distant from Portland.

Many of these old soldiers who had been located by Jones shed tears on the witness stand in having to admit, as they stated, in their old age that they had sworn falsely in their final proofs to the Government for which they had fought many years before.

All the affidavits referred to by the Attorney General as to intimidation of witnesses were made by friends of Jones and other defendants. Some of these affidavits were indicted themselves for intimidating Government witnesses. The only intimidation and threats made to witnesses to testify falsely in these cases were made by partisans of the defendants to Government witnesses. This fact was brought out at the trials of the cases, and it was suggested to the department, long before the Attorney General's report was prepared, that the records be examined and compared with such affidavits. I recall one witness in particular whose barn and crops were burned and who was later murdered and assaulted by adherents of the defendants. It became necessary for me to investigate and prosecute numerous persons for such intimidation and threats.

The Attorney General's acceptance of these affidavits of persons who were indicted themselves for intimidation of witnesses reminds me very forcibly of the story where one unversed in the law was appointed as a city magistrate before whom the defendant's attorney made a motion to dismiss the case. The defendant himself arose and said, "I second the motion." The magistrate, being more familiar with parliamentary procedure than the law, dismissed the defendant on the motion made and seconded.

The Attorney General further comments:

"These charges have been substantially proven, particularly those relating to the irregularities in the filling of the jury box."

I can only comment here that if the charges against the defendants in these cases had not been better proven than the charges in the Attorney General's report, Jones would never have had to apply for a pardon, because he would have been convicted.

The Attorney General attempts to support his statement that the charges have been "substantially proven" by the following:

"The department has in its possession the original reports of Burns's agents to him and those assisting him regarding the names of proposed jurors, and reports were made prior to the filling of the jury box."

It appears to me here that the fact that practically all of the reports to the prosecution on persons whose names were in the jury box were made after the box was filled must have been intentionally omitted in the report to the President. This fact was well known to the department at the time the Attorney General's report was prepared, for it was before it in documentary form. The department knew that reports were being made to the prosecution on jurors whose names were in the box, after the box was filled, for months and for a year thereafter. Nothing of this, which was well known to the department at the time the Attorney General's report was prepared, is mentioned anywhere in the report. If it had been, the Attorney General could not have reconciled his "conclusions" with the evidence before him. So the President was given an incomplete report of the evidence before the department.

The Attorney General quotes some of the comments upon prospective jurors such as: "Convictor from the word go." "Convict Christ. Populist." "That he is a Populist. If so, convictor. Good, reliable man."

The pardon attorney, in his report to the Attorney General, and the Attorney General, in his report to the President, does not quote these comments separately, but they are quoted evidently for the purpose of prejudicing the President's mind. The Attorney General does not state that of this list of 137 names from which these comments are taken, and to which list much importance

apparently, attached, 88 of them, according to the interpretation of the comments by him, would have been good "convictors." Only 29 of the entire list of 187 were placed in the jury box by the clerk of the court and jury commissioner. Therefore 59 good "convictors" were never placed in the box, but were thrown into the discard by the clerk of the court and the jury commissioner. This is assuming that the 29 selected by them were of the 88 good "convictors," which I do not know to be the fact.

Here is ample evidence to show that neither Mr. Burns nor anyone connected with the prosecution had anything to do with selecting the names that went into the jury box, for these 59 good "convictors" certainly would not have been discarded by Burns or anyone else connected with the prosecution if he controlled the names that went into the jury box.

Furthermore, the Attorney General does not state that in one of the Jones's cases none of the 29 jurors so selected from the list referred to sat in the trial jury, and in the other Jones's case only two jurors from this particular county were drawn.

Furthermore, the Attorney General does not refer to reports like the following, made to Burns:

"Is a friend of mine. Said the Government was making a damn fool of itself. Said it was persecution. He would not vote to convict any of them. Is a bad one."

If the Attorney General had desired to be fair and unbiased and unprejudiced, he would have given the President the facts in the case, and not made his report on "conjectures."

The Attorney General states:

"Burns's favorite way of describing an unsatisfactory juror was to designate him as a s— of a b—h."

This is only another "conjecture" of the Attorney General. He attributes to Burns as his own comments, those which were reported to and noted by him. The Attorney General had a letter from Mr. McArthur to Burns, dated July 24, 1905, in which Mr. McArthur said:

"There is one man on the Marion County list reported O. K. at present that I am afraid of * * * C. N. Mackay only gave me a list of the doubtfuls and sons of bitches."

Here is documentary evidence which the Attorney General had before him, showing who gave such condensed comment upon the prospective jurors. It may be stated that Mr. McArthur's reports here referred to were not reports upon the names to go into the new jury box, but upon names in the old jury box. The Attorney General had documentary evidence before him to clearly show this and thus discredit Mr. McArthur's affidavit, which will be referred to hereafter.

The Attorney General refers to certain lists of prospective jurors from which all the names upon which "bad reports" had been received had been left out, and "occasionally were the only names left out from a particular county unless the name bore a circular check which indicated that, although the name appeared on the list, yet for some reason, the proposed juror would be satisfactory."

He says: "The conclusion is obvious * * * It is impossible to reach any other conclusion than that Burns in some way, with or without the actual knowledge of the jury commissioners caused the selections to be made in conformity with his wishes."

Here the Attorney General assumes and again "conjectures" that a "circular check" "indicated that although the name appeared on the list, yet for some reason, the proposed juror would be satisfactory." It would have required no tortuous reasoning to come to the conclusion that the "circular check" indicated nothing more than what other markings on jury lists indicated, as had long before been explained to the department. The Attorney General had no evidence—nothing but "conjecture," to make such statement.

Such markings upon the lists as here referred to have no reference whatever as to what names should or should not go into the jury box. The "remarkable coincidence" referred to is accounted for by the fact that the markings and checkings on the lists of names that went into the jury box and others that did not go into the jury box, were made after the box was filled, for the purpose of making lists and securing reports on those names that were in the jury box.

There was an abundance of evidence before the department to prove that the conclusion here reached by the Attorney General was erroneous. No one connected with the prosecution was asked about these lists. When I was previously commenting about far more significant appearing markings on

lists, such as "O. K. Go in" and "Go in," the department admitted they did not have the significance at first attached to them, and dropped further reference to them. Probably for fear that the "circular checks" and other markings and "coincidences" would likewise be explained by the prosecution, no one connected with the prosecution was asked about them.

The Attorney General says:

"* * * there is abundance of evidence, in my judgment, to show that the work was probably done by Burns acting in collusion with Marsh, who was deputy clerk at the time."

The clerk of the court, Capt. Sladen, was dead at the time Jones's application for pardon was pending, and the jury commissioner, Mr. Bush, was so old and feeble that he probably was not interviewed for that reason. Therefore, in view of the high probity of Capt. Sladen and the jury commissioner, the department comes to the conclusion "that the work was probably done by Burns acting in collusion with Marsh." Marsh never had any notice of such charge against him. When it was called to his attention he emphatically denied the charge. Marsh had notified the department prior to the date of the Attorney General's report that—

"In selecting the names from these lists Capt. Sladen and Mr. Bush used their own judgment, without consulting anyone's preference, and there was a great number of names in the box of persons very objectionable to the Government."

This statement of Marsh's is corroborated by the fact that I challenged many jurors drawn from the box for cause, and likewise I used peremptory challenges—and this the department was advised of and could have readily determined to its own satisfaction if it had desired to act upon the application without bias and without prejudice.

If the department really believed that Marsh had acted in "collusion with" Burns, it does not seem to have affected in the least Mr. Marsh's subsequent appointment as clerk of the court.

The pardon attorney, on whose report to the Attorney General the latter made report to the President, admitted in December, 1917, that he "may have made a mistake," and he then stated that he thought he "had been a little bit harsh on Marsh."

The Attorney General says:

"If there were any doubt regarding Burns's connection with the affair and what he actually accomplished, it would seem to be set at rest by his own telegram in cipher to W. Scott Smith, then secretary to Hon. E. A. Hitchcock, the then Secretary of the Interior, on August 17, 1905, the very date the jury box was filled."

The telegram, as quoted, is as follows:

"Jury commissioners cleaned out old box from which trial jurors were selected, and put in 600 names, every one of which was investigated before they were put in the box. This confidential."

This telegram also contained the following, which is not quoted by the Attorney General:

"Grand jury drawn to-day and is composed of splendid men and in whom we have the very greatest faith."

This telegram may have "seemed" to the Attorney General, as he says, to set at rest any doubt regarding Burns's connection with the affair and what he actually accomplished, but it does not show any connection of Burns with the affair nor anything that Burns accomplished. It is merely reporting the fact that every one of the names put into the box "was investigated before they were put in the box." It does not say that Burns or anyone connected with the prosecution made the investigation. The clerk of the court and the jury commissioner had investigated the names submitted to them by county clerks and others, and this is all that Burns was reporting. The department had documentary evidence before it that this was the fact, and it had documentary evidence before it that Burns and others connected with the prosecution had investigated these same names after they were placed in the jury box, so the construction placed upon this telegram by the Attorney General can not at all be reconciled with the evidence before him at that time. The fact that the telegram was in cipher and marked "This confidential," has no significance whatever, as telegrams were sent almost daily; they were all in cipher, and "This confidential" was a common phrase in many telegrams.

To construe this telegram properly, the department had before it another telegram from Burns to Smith, dated August 2, 1905—15 days before the one above quoted, in which Burns said:

"If the jury disagrees, Mr. Heney will call grand jury August 21 and re-indict three defendants on charge of conspiring to defraud the Government of public lands. This will also give wider scope in presenting evidence. By that time we will get a jury that will be absolutely honest, as we are now making a thorough investigation of 300 names that are in jury box."

Burns here plainly states that "we" are now making a thorough investigation of 300 names that are in jury box. If Burns or anyone else connected with the prosecution had conducted the investigation of the 600 names that went into the new jury box 15 days later, it is very likely that he would have so stated in the telegram of August 17. The Attorney General therefore gave this telegram a construction that the language does not warrant and that the documentary evidence before him at that time absolutely contradicted, for he had an abundance of evidence to show that Burns and the prosecution was making investigation of jurors whose names were put into the jury box on August 17, 1905, after that date, and for months and a year after that date. The Attorney General should have known that this subsequent investigation of these same jurors would have been unnecessary if his construction of the telegram of August 17, 1905, was correct.

There is no more justification for putting the construction upon this telegram which the Attorney General did than there would be if Gen. Pershing had cabled that one of our front-line trenches had been cleaned out and 600 of our dead were found therein and then accuse Gen. Pershing of having killed them. Pershing would have been merely reporting not what he had done but what had been done, and Burns was reporting not what he had done but what had been done.

It should be remembered that no one connected with the prosecution was ever asked to comment on this telegram nor to explain it in any way. From December, 1911, until the date of the Attorney General's report, May, 1912, all the specific matters mentioned in his report were brought to the attention of the department, but the department acted upon them ex parte, and no one connected with the prosecution was asked to or had opportunity to reply thereto.

The next matter referred to by the Attorney General is an affidavit of Mr. C. N. McArthur, now a Member of Congress from Oregon. Only a portion of Mr. McArthur's affidavit is quoted. The complete affidavit contradicts itself, and there was documentary evidence before the department to thoroughly discredit it.

The statement by Mr. McArthur that a certain conversation, on or about July 25, 1905, between him and Mr. Burns took place in my presence I unqualifiedly deny. Correspondence between Mr. McArthur and Mr. Burns, which was in the possession of the department, clearly discredits and contradicts his statement that he was reporting on prospective jurors under "duress, reluctance, and much persuasion."

Here is a letter from Mr. McArthur to Mr. Burns, dated July 27, 1905, which the department had before it at the time the Attorney General's report was prepared:

"Inclosed find dope on Coos and Curry Counties. I arrived here this evening and will cover Clackamas County to-morrow. Have part of Lane and Marion Counties, and expect to file complete report on these counties to-morrow night. Will see you to-morrow.

"MCARTHUR."

It does not appear from this letter that Mr. McArthur was acting under duress.

The reports that Mr. McArthur was making at this time were reports on names in the old jury box and not on names that were to go into the new jury box, for it will be recalled that on August 2, 1905, Burns wired to Smith that "we" were investigating 300 names in the jury box, and Burns at this time (about one week before the order was made to fill the new jury box) evidently did not know that a new jury box was to be filled or he would not have been wasting time investigating names in the old box, which was cleaned out before any of them then being investigated were drawn as jurors. The new names were inserted on August 17, 1905.

Furthermore, Mr. McArthur states in the latter part of his affidavit (not quoted in the Attorney General's report) that he subsequently furnished reports on jurors to one Marvin, a special agent of the Department of the Interior; that is, during 1906 and later; but that he finally told Marvin to come no more. Mr. McArthur does not state whether it was the same "duress" which Burns exercised over him in July, 1905, that made him report on jurors in 1906 and later, or whether Marvin used some other influence over him.

If Burns had the conversation with Mr. McArthur about September 1, 1905, as stated by him, there would have been no necessity for any further reports on jurors, which Mr. McArthur, however, says he made.

As to the language used in Mr. McArthur's affidavit, as quoted, and attributed by him to Mr. Burns, a letter from Mr. McArthur to Burns has already been quoted herein, in which Mr. McArthur himself condenses his comment on jurors by such appellation as "s—n of a b—h."

It should be remembered that this affidavit of Mr. McArthur is dated in Oregon, April 4, 1912; was received in the department April 12, 1912, and was accepted and embodied in the pardon attorney's final report to the Attorney General the very next day, April 13, 1912, without any request or opportunity for anyone connected with the prosecution to reply thereto.

The Attorney General states that Mr. Burns "has been given the fullest opportunity to make a statement," but a statement could not be obtained from him. The records in the Department of Justice will show this statement to be absolutely misleading. Mr. Burns promptly answered all matters brought to his attention. The Attorney General certainly can not mean that Burns or anyone else connected with the prosecution had an opportunity to answer the McArthur affidavit, which the Attorney General says "makes a complete disclosure of the whole situation, which leaves no possible ground for doubt," because the record clearly shows this affidavit to have been received April 12, 1912, and accepted and embodied in the pardon attorney's final report the next day, April 13, 1912. There seemed to have been some reason for particular haste in the matter, which need not be dwelt upon here, but the fact remains as the record discloses.

The Attorney General refers to one Sorensen, who, it is claimed, was employed by Burns to keep tab on Jones, and that Jones, "relying on Sorensen because he was a fellow defendant, accepted as jurors persons to whom he would otherwise have objected."

This is another "conjecture" on the part of the Attorney General and is inconsistent with his former conclusion that Burns controlled the names that went into the jury box, and none of them were objectionable to Burns; for, if that were so, Jones had very little choice as to jurors and it would have made very little difference to the prosecution what jurors Jones objected to.

The case in which Jones was tried with Sorensen I recall distinctly as one in which one of the attorneys for the defendants arose in open court, during some colloquy, and stated before the court and jury that he had "six personal friends on the jury." I was not personally acquainted with any of the jurors in these cases.

The Attorney General refers to the fact that Mr. Neuhausen, "closely connected" with me in the prosecution of the cases, had been given an opportunity to make a statement, and that no reply had been received. I am informed that Mr. Neuhausen did make a statement to the United States attorney in Portland, Oreg., at the time the United States attorney was preparing a report in the matter, and Mr. Neuhausen assumed that his statements would be embodied in the former's report to the Attorney General. Mr. Burns's attorney some time ago requested to see this report, but he was denied access to it.

The Attorney General also says:

"Even Judge Gilbert (the circuit court judge who ordered the jury box to be filled with new names) has submitted an explanation of his former emphatic statement denying that the charges made could be true."

The pardon attorney in his final report refers to the statement of Judge Gilbert as follows:

"He states that if from some source or by some method unknown to him Mr. Burns or his agents obtained copies of the lists of names of men intended for the jury box which were in the possession of the clerk or jury commissioner before the box was filled, and agents were sent out to obtain information about men on those lists, he is still certain of this: That the clerk and jury commissioner accepted no such information and heeded no advice from any such source."

This seems to be still quite an emphatic statement by Judge Gilbert, and it is fully supported by documentary evidence before the department.

The Attorney General further states:

"The Government can not properly countenance, nor is it expedient in these times of attacks upon courts and the judicial system of the United States, for it to lend its approval to any such procedure."

My only comment here can be that, in my opinion, "attacks upon courts and the judicial system of the United States" are due more to the granting of pardons in such cases as this, where the wealthy and influential are able to secure pardons while the poorer and less influential are required to pay their fines and serve their terms in jail, than to the disapproval of the orderly and regular procedure followed in these cases.

The Attorney General further said:

"In the light of the facts as they appear from the documents and reports before the department it does not seem to me that any person convicted of land frauds by a jury drawn from the box referred to had a fair and impartial trial."

If the Attorney General really believed this, it seems to me that it was his duty to recommend and urge compensatory justice for those defendants who had been convicted by juries drawn from the box referred to and who had paid their fines and served their terms in prison.

Likewise, Mr. McArthur, who made a similar statement in his affidavit, and now a Member of Congress, should have introduced a bill for this purpose; and if his affidavit is true, he should now introduce such a bill and bring it to a prompt hearing.

I desire to quote in conclusion from the report of Mr. John McCourt, United States attorney in Portland, Oreg., during the pendency of this application for pardon, who was reporting to the Attorney General in the matter. Mr. McCourt undoubtedly will not deny that he was "predisposed" in Jones's favor:

"I have given some attention to the names of the trial jurors in the respective cases. Republicans predominate in number, and the men composing these trial juries are uniformly men of strict honesty, integrity, and of high standing in their respective communities.

"They were all high-minded men. Ordinarily a lawyer would not hesitate to accept them to try any case he might have.

"I am disposed to think that the jury in each of these cases went into the trial thereof without any prejudice or bias against the defendant, and that their verdict in each case was a conscientious expression of their judgment, reached after the fullest consideration. One of these jurors was a member of the recent grand jury which convened in this district. He informed my assistant that he felt so bad at having to return a verdict against Jones that he was sick for three days thereafter. I have reason to believe that several others of the jury in each of the cases against Jones felt much the same way.

"I do not think there was any member of either or the juries that tried Jones that had a bias or prejudice that disqualified him to sit in the trial."

This report from Mr. McCourt was before the Attorney General at the time of the preparation of his report. Notwithstanding it was from one who admittedly was not in favor of the land fraud prosecutions at the time they were conducted, the Attorney General says:

"In the light of the facts as they appear from the documents and reports before the department, it does not seem to me that any person convicted of land frauds by a jury drawn from the box referred to had a fair and impartial trial."

Mr. Burns has repeatedly endeavored to get the Department of Justice to permit him to have access to the papers in this case, so as to correct the record as to the facts; but, for some reason, the department persistently refuses to grant his request.

I will not offer any "conjectures" as to the reasons therefor.

Very respectfully,

FRANCIS J. HENEY.

The CHAIRMAN. I now recognize Mr. Parker of New Jersey.

Mr. PARKER of New Jersey. Mr. Heney, can you tell how many cattle passed through all of the stock yards last year?

Mr. HENEY. No; I can not.

Mr. PARKER of New Jersey. Did Chicago take the majority of all, or did other yards take together about an equal number?

Mr. HENEY. Well, I do not recollect just as to that. You see I did not——

Mr. PARKER of New Jersey (interposing). Never mind. I see that in Chicago they received during the year 17,779,435 head of cattle alone; besides hogs, sheep, and lambs. A profit of a dollar a head on those cattle alone would amount to nearly \$18,000,000.

Mr. HENEY. How much?

Mr. PARKER of New Jersey. A dollar a head on those, upward of 18,000,000 cattle, would amount to nearly \$18,000,000.

Mr. HENEY. Yes; if there were 18,000,000 cattle it would amount to \$18,000,000.

Mr. PARKER of New Jersey. Besides hogs and sheep and everything else, and what was done at the other yards of the country.

Now, you spoke something about commission men having pens at the yards. Can you tell me whether or no those pens change from day to day or generally stay in the hands of the same commission man after he gets them?

Mr. HENEY. They generally stay in his hands.

Mr. PARKER of New Jersey. Then you know of no control which turns one man out of his pen and puts them into the hands of another man; they generally stay in the hands of the commission man?

Mr. HENEY. I have had commission men tell me they feared they would be taken away from them.

Mr. PARKER of New Jersey. But you have never known of any pens taken away from any commission man, any pens that he regularly had?

Mr. HENEY. Yes, sir; I have been told of that, too.

Mr. PARKER of New Jersey. You have known of that?

Mr. HENEY. I have been told of it by commission men.

Mr. PARKER of New Jersey. I see that Swift owns a bumper company.

Mr. HENEY. No; I said I wasn't sure as to what bumper company.

Mr. PARKER of New Jersey. In each case the packers had no interest in the others, but only one packer in each of them.

Mr. HENEY. That is right.

Mr. PARKER of New Jersey. So that other packers got no benefit from the ownership of the bumper company. That is the only company that would get a profit from that.

Mr. HENEY. That is the only one. In fact, it was not the company but individuals.

Mr. PARKER of New Jersey. I also find one thing in the papers you handed in and read stating, or there is one of them that said, "This is true of the J. E. Decker Co., who have their natural territory invaded by the concentra." What did that mean?

Mr. HENEY. The concentration stations that should have been. That was not completed.

Mr. PARKER of New Jersey. What did you mean by "natural territory?"

Mr. HENEY. The territory surrounding the plant.

Mr. PARKER of New Jersey. You speak of it as "their territory." You did not mean that it was anything except simple territory there.

Mr. HENEY. Oh, no.

Mr. PARKER of New Jersey. Might not the gentleman whose testimony you read here and who spoke of "our territory," etc., have meant just the same thing?

Mr. HENRY. Which gentleman was it?

Mr. PARKER of New Jersey. You spoke of some one speaking of "their territory." It might have been just the same sort of surrounding territory that you spoke of in the case of Decker.

Mr. HENRY. You probably mean that letter of Moog's, in connection with tributary territory.

Mr. PARKER of New Jersey. I only mean where you say "our territory." I understood that you meant their natural territory, the territory that would naturally fall into their hands as their business. That is all.

Mr. HENRY. That is it.

The CHAIRMAN. I will now recognize Gov. Montague.

Mr. MONTAGUE. Mr. Henry, you have no doubt, I assume, that there is a combination between these five big packers.

Mr. HENRY. None in the world.

Mr. MONTAGUE. Can you condense in my five minutes—the five minutes that I have to talk—what are the chief facts that prove or establish that combination?

Mr. HENRY. No; I could not, for the simple reason that in order to establish a combination you must establish it by circumstantial evidence.

Mr. MONTAGUE. I grant you that.

Mr. HENRY. Because as a rule conspiracy can never be proven any other way, and it would not take five minutes, but probably five hours, or even five days, to prove it and go through all of the information.

Mr. MONTAGUE. I appreciate what you suggest. But I thought you, perhaps, might have in your mind certain leading circumstances.

Mr. HENRY. I think there are——

Mr. MONTAGUE (interposing). Certain leading circumstances that to a layman who has not given to this matter the study you have might be enlightening in this matter in going over this record. That is the only object I have in asking the question.

Mr. HENRY. Yes. The Federal Trade Commission did not think there was a general conspiracy between the five big packers. For instance, they did not find that the five big packers agreed on a price at which they would sell, but they made a finding that the five big packers have an understanding, and a tacit understanding in law is a conspiracy and is sufficient to constitute an agreement.

Mr. MONTAGUE. Oh, I grant you that it doesn't have to be put down in writing.

Mr. HENRY. They have an understanding that they will buy a certain percentage each of the cattle and hogs of this country, of the total receipts, and that that combination has existed for years, and that they buy according to that percentage.

Now, Mr. Armour in his testimony before the Senate committee practically admitted that to be correct, and I think that this committee should have his testimony on that subject before it.

Mr. MONTAGUE. I have only a few minutes, so I will get to the next matter. That relates to the buying end.

Mr. HENRY. Yes, sir.

Mr. MONTAGUE. How could you get the leading effect of them, so as to control prices of selling?

Mr. HENEX. Why, it appears to me that the buying side, conceding as large a portion as it does of all the cattle and hogs sold in cities of 25,000 population and over in this country, carries with it, according to the report, the evil that is aimed at being prevented by the Sherman antitrust law against these combinations.

Mr. MONTAGUE. Your argument is that if they have the power to buy and control the price of buying that the natural complement of it is to control the power of selling?

Mr. HENEX. Yes, sir.

Mr. MONTAGUE. That they are two parts of the whole?

Mr. HENEX. Yes, sir. Here is the point: The packers have admitted by the sworn testimony of Mr. Veeder in a trial that took place in 1912 in Chicago, and he admitted it again here before the Senate committee, that in 1893 they did have a combination and an agreement by which they sat in a meeting and divided up the United States into districts, and agreed upon the amount that they would ship into those districts, that each one would ship, and had an arrangement under which if a man shipped more than his percentage, the percentage that was allowed him, and that was based upon the average of the preceding years, as I recall it, that he was penalized for shipping more.

Mr. MONTAGUE. That is, for selling more?

Mr. HENEX. Penalized at the rate of 40 cents a hundred. They agreed upon the amount that each would ship into these districts. They also agreed upon a way in which they would have their test cost and their margin, and they shipped into these places. And that was arranged at each meeting, which they held on Tuesday afternoon of each week in Mr. Veeder's office, for a number of years, the amount they would ship to each place. At first it took in the entire territory, but they found that did not work out satisfactorily, and that they had to fix it as to each city.

Territory A took 75 per cent of their production and that territory was north of the Ohio River and east of Illinois. In January, 1891, they took in with them—and Armour, Swift, and Morris were in the first agreement, from 1893 to 1896, and then there were several years from some time in 1896 to 1897, or, I should say, some time in that year, instead of several years, some time from 1896 to 1897, that they did not hold meetings, because the Sulzbergers were fighting them in the New York market. But on January 1 they took in the Sulzberger people and the Cudahy people, and after that they met, the five of them, on Tuesday afternoon of every week, at the same place, and the five agreed on the amount to be shipped to each city, and they had their margins and their test costs fixed in the same way, etc.

Now, gentlemen of the committee, they were buying at that time on these same percentages, and they were shipping under this agreement, with a penalty for the man shipping any more each week. And when they met they had the returns of each man's shipments, and what he got for them, and how much he sold, and they figured out what the allotment ought to be for that city for the coming week. If that city had not taken all that it seemed to them ought to be shipped there, and they thought a less amount to be shipped, that would

be agreed upon; or if the demand seemed to be light, perhaps on account of prices, they would lower the price. If they were going to lower the price, they would agree upon that lower price. On the other hand, if sales had gone well, they would raise the price.

All of that they carried out every Tuesday from 1898 to 1902. They say they quit in 1902. But in the year 1902 they have admitted that Armour, Swift, and Morris had entered into an agreement to merge practically all of the packing plants in the United States into one. Later in the year they got Cudahy to agree to it, and still later in the year they got Sulzberger to agree to it.

In November, 1902, Kuhn, Loeb & Co., who had agreed to furnish \$90,000,000, or had partially agreed, notified them that they could not furnish it. In the meantime, Armour, Swift, and Morris, under this agreement, had gone ahead and purchased about a dozen plants. And they had purchased them jointly and had put their joint notes in banks to raise \$8,000,000 of the money, \$2,000,000 more they having furnished.

Then when Kuhn, Loeb & Co. notified them they could not do this, these packers made an arrangement by which Kuhn, Loeb & Co., E. H. Harriman, and James Stillman furnished them with \$15,000,000—\$5,000,000 each—and in this connection I might say that Harriman was then running the Central Pacific, the Southern Pacific, the Union Pacific Railroads. Thereupon, the National Packing Corporation took over all these plants, and Armour, Swift, and Morris owned the National Packing Co. in the proportion that the relative assets bore to each other that they had in their business, and that was the agreement under which they were to take it over.

The CHAIRMAN. That consumes Mr. Montague's time.

Mr. HENEX. From the time that was organized in 1903, on Tuesday afternoon, at the same hour, once a week, for 10 years more, practically the same men of Armour, Swift, and Morris, who had been in this arrangement from 1893 to 1896, continued to meet; and there had been a prior arrangement, beginning in 1885, that ran down nearly to 1893. Now, during these 10 years additional, bringing it down to 1912, the representatives of Armour, Swift, and Morris met as a board of directors of the National Packing Co. once a week and discussed questions and determined what they were going to do for the following week. Then each one returned to his company and determined what his company should do.

In the black book that we got from German Sulzberger there is an account of meetings that were held in 1914, 1915, and 1916, and there isn't a single one of these packers who has come here who has denied a single word of it.

The CHAIRMAN. Mr. Montague's time is up. Mr. Esch is entitled to cross-examine the witness.

Mr. ESCH. The decision of the Interstate Commerce Commission in July takes care of the evils of the icing plants, does it not?

Mr. HENEX. I didn't catch that question.

Mr. ESCH. The Interstate Commerce Commission's decision of last July takes care of the icing plant evils, does it not?

Mr. HENEX. I am not familiar with that decision.

Mr. ESCH. Well, that is one of the points complained of by the Federal Trade Commission.

Mr. HENEX. I do not know. Did you say the icing?

Mr. Esch. Yes; this control of icing plants by the big packers, which gave them access to waybills of independent packers and opportunity for discrimination as to their products.

Mr. HENRY. Yes, sir.

Mr. Esch. The decision of the commission was that the railroads should take them over.

Mr. HENRY. Yes, sir.

Mr. Esch. That eliminates one cause of complaint.

Mr. HENRY. Yes, sir; I should say so.

Mr. Esch. You have devoted some time to the matter of wiring on. Isn't that unfair method of competition subject to the Federal Trade Commission act and under its jurisdiction?

Mr. HENRY. Yes; I believe it is.

Mr. Esch. The vast amount of testimony that you have taken in connection with wiring on has been taken by the Federal Trade Commission. Now, has that commission taken any action on that testimony to enforce the law?

Mr. HENRY. I do not know. I have not been with the commission since March 31, 1918.

Mr. Esch. Exactly so. But you know about all the testimony gotten in regard to the matter.

Mr. HENRY. Yes, sir.

Mr. Esch. On that testimony, could not the commission issue an order discontinuing that practice?

Mr. HENRY. I think it could.

Mr. Esch. And if they failed to discontinue it, the commission could go into the courts and have the matter adjudicated as the law provides?

Mr. HENRY. I think so.

Mr. Esch. With reference to the packers being interested in newspaper and trade journals, isn't that also a form of unfair method of competition which might be reached by the Federal Trade Commission?

Mr. HENRY. I do not know. I am in doubt about that, Mr. Esch.

Mr. Esch. Well, it is part of the testimony at least that they were used by the big packers to give them an advantage in knowing market prices that the independent packer could not avail himself of.

Mr. HENRY. Not the trade journals. They may be coloring the information they may give out in the trade journals. But, then, a packer is not required to give out any information, and I do not know about that. I would have to give that some considerable thought before I would say the Federal Trade Commission would reach that.

Mr. Esch. Very well. How about split purchases or part purchases? That is another cause of complaint in the testimony.

Mr. HENRY. Yes.

Mr. Esch. Wouldn't that be an unfair method of competition which could be reached by the Federal Trade Commission?

Mr. HENRY. I should think so.

Mr. Esch. Very well, then. All these evils I have alluded to can possibly now be reached by existing law, and certainly can be reached based upon the very voluntary and full evidence which you have presented. That leads us to ask what the remedy is, and you have

suggested Government ownership of refrigerator cars and stock-yards, but not of the branch houses, I believe.

Mr. HENEX. No; I think the Government should establish cold-storage plants in various cities.

Mr. ESCH. But as to the packing houses having their branch houses, you have not suggested that the Government attempt to take them?

Mr. HENEX. I do not see how the Government could take over the packers' branch houses, and I question very much as to whether it should.

Mr. ESCH. It is your recommendation that the Government should establish cold-storage plants in the cities to take care of interstate shipments.

Mr. HENEX. Yes, sir.

Mr. ESCH. Of course they wouldn't have jurisdiction beyond that.

Mr. HENEX. That is all.

Mr. ESCH. That would then lead to a strife for the location of Government cold-storage plants and might result in a good deal of a pork-barrel proposition, might it not?

Mr. HENEX. What is that?

Mr. ESCH. A pork-barrel proposition. You know the struggle in connection with the location of public buildings throughout the country and in connection with appropriations to be included in the river and harbor bills. If the Government went into the matter of the location of cold-storage plants, wouldn't it start a very bitter struggle as to the location of such plants? I have pride enough in my city to think that it is a good location for a cold-storage plant. How would we meet that evil?

Mr. HENEX. How do we meet the other evils of a democracy? We have to meet them from time to time and all of the time. Shall we stop developing our rivers and harbors because now and then a Congressman comes here for the special purpose of getting an appropriation to improve some creek in his district so as to make himself more popular? Certainly not. We have to continue the work. Shall we abandon Federal control of the post offices because a Congressman comes here trying to get a post office for some town in his district where he wants to get a few more constituents to vote for him?

Mr. ESCH. Won't that be true of your cold-storage plants?

Mr. HENEX. Then why not abandon our democracy?

Mr. ESCH. Oh, no. But I am asking you about the matter.

Mr. HENEX. Why not let the post offices go to private ownership, then? You wouldn't have any pork barrel.

Mr. ESCH. You admit that there is, of course, that objection?

Mr. HENEX. I admit it is in the same position as a post office, yes, Mr. Esch.

Mr. ESCH. That is the only point I am trying to make. Have I taken up my five minutes, Mr. Chairman?

The CHAIRMAN. Yes; and a minute over, but you can go ahead for a minute.

Mr. ESCH. No; I will not violate the rule.

The CHAIRMAN. I will recognize Mr. Stephens.

Mr. STEPHENS. I only want to ask a question or two. Mr. Heney. I want to know whether you are familiar with the Kendrick bill, the bill introduced in the Senate, somewhat similar to this one?

Mr. HENNEY. Before answering that question, may I add to my answer made to Mr. Esch? I do not think that the particular things that Mr. Esch has pointed out are the substantial things that are in the way at all at the present time. I think that the really substantial thing that is in the way is the combination on the part of the packers with their buying and their control of refrigerator cars and stock-yards.

Mr. ESCH. I concede that. But I want the Government agencies now established utilized to the utmost under the laws already enacted.

Mr. HENNEY. You are right about that; I do, too, absolutely.

Mr. ESCH. All right; that is all I care to ask.

Mr. STEPHENS. Are you familiar with the Kendrick bill, which is in the Senate?

Mr. HENNEY. Well, I haven't made any study of the Kendrick bill. I read it over casually, and made up mind I didn't care for it or did not agree with it.

Mr. STEPHENS. You prefer the Sims bill to the Kendrick bill?

Mr. HENNEY. Yes; very much so. The Sims bill has some teeth in it and the Kendrick bill is both toothless and armorless.

Mr. STEPHENS. Assuming that this bill is enacted and that all channels of trade are cleared up as contemplated by this legislation, we can reasonably assume that the consumer is going to get at little better opportunity to buy his meat more cheaply, can't we, as the result of having more competition in the selling?

Mr. HENNEY. I think so.

Mr. STEPHENS. Through independent dealers?

Mr. HENNEY. Yes.

Mr. STEPHENS. Naturally, too, that would bring a little bit of relief to the producers in that it would establish more independent packing plants, probably.

Now, then, we come back to the producer, who still remains in exactly the position he was in before; that is, that he must sell to these same packers, no matter how many are in business, for they are going in a measure to fix the prices for his product. The point I am making, or the question I am going to ask is, What is the relief for the producer of fat-meat animals? Is it cooperation in the selling of it by the farmers?

Mr. HENNEY. Yes. In the first place, he is not going to continue to produce if he can not get a fair price, and be reasonably sure of getting a fair price. And production did fall off for quite a number of years in the United States, and, of course, when that occurs it injures the consumer in the long run, because he has to pay more for meat when there is just enough to supply the demand.

Now, we have had the same difficulty with other products, and the only relief that I have seen them secure, has been where they have cooperated in the selling.

Mr. STEPHENS. Now, that leads me to the next question: Is it possible for the producer of meat animals to ship his cattle to a central market before they are sold, without absolutely putting himself at the mercy of the buyer?

Mr. HENNEY. Well, not under present conditions, that is sure.

Mr. STEPHENS. For he can not ship them away from that market?

Mr. HENNEY. Not under present conditions. That is true of all perishable products, like fruit and vegetables.

Mr. STEPHENS. Now, Mr. Heney, the relief that I have in mind is, if the Government could, through some sort of cooperation or encouragement get the producers to establish their selling agents at the market, so that these fat animals could be sold by grade before they are shipped in. It that way they would be relieved from the necessity of selling their animals for what anybody wants to pay for them, because having them once in the yards at the market, they can not afford to ship them back?

Mr. HENNEY. Yes; it looks to me as if that will have to be brought about by the growers themselves.

Mr. STEPHENS. You have no suggestions along that line?

Mr. HENNEY. No; I can not see any way out of that.

Mr. STEPHENS. I think that is all. It is getting late and I do not want to delay matters.

The CHAIRMAN. Mr. Heney, I will not take up my five minutes. My lack of information would require my inquiries to run into hours, days, and perhaps weeks, and therefore I will not undertake to carry on but five minutes a line of questions. And I want to say in conclusion, that the committee is very much obliged to you for your testimony.

Mr. HENNEY. Mr. Chairman, and gentlemen of the committee, I want to thank you for the opportunity which you have afforded me here to be heard.

Mr. SANDERS. Mr. Chairman, in Mr. Glasgow's examination the other day I asked certain questions about a Mr. Chapman, and Mr. Glasgow said he would reply and give me the information. He has furnished me with a letter, which I desire to file in the record.

The CHAIRMAN. All right.

(And the letter so offered in evidence is as follows:)

UNITED STATES FOOD ADMINISTRATION,
LAW DEPARTMENT,
WASHINGTON, D. C., February 12, 1919.

HON. JARED Y. SANDERS

House of Representatives.

MY DEAR GOVERNOR: Referring to the testimony of Mr. Lasater before the Committee on Interstate and Foreign Commerce of the House of Representatives on February 5, 1919, page 4022, he testified as follows:

"Mr. Chapman, who was head of the feed department of the Quaker Oats Co., was made the head of the feed division of the Food Administration. I cite that company on account of that position having been given to Mr. Chapman."

You called my attention to this testimony, and while then I had no knowledge of Mr. Chapman being with the Food Administration, I have since looked it up and I find that Mr. Chapman, who was vice president of the Quaker Oats Co., came to the Food Administration February 28, 1918, and was at the head of the feeding stuffs section of the Distribution Division, which division was under Mr. Theodore F. Whitmarsh, and I may say that Mr. Whitmarsh has no interest whatever in the question of feedstuffs.

Mr. Chapman served in this capacity until April 1, 1918, when the Distribution Division was reorganized, at which time Mr. J. J. Stream, of Chicago, became the head of what is known as the Coarse Grains Division, under which was consolidated the feeding-stuffs section, of which Mr. Chapman had been the head, and the corn millers' section. Mr. Stream continued as the head of this until the division was dissolved after the armistice. At the time Mr.

Stream became head of the Coarse Grains Division, Mr. Chapman tendered his resignation, which Mr. Hoover declined to accept, and requested him to continue to serve in an advisory capacity, which he did. At no time was Mr. Chapman a chief of a division of the Food Administration; nor was he at any time in a position to direct the policies of any division of the Food Administration, but he was looked on, as far as I can learn, as a capable, technical man on the question of feedstuffs, and was retained at the Food Administration for such information as he could give relative to the trade, and his duties began after the policies as to the feed situation had been formulated by Mr. Hoover.

I thank you for giving me the opportunity of advising you as to the relation of Mr. Chapman to the Food Administration. He left the Food Administration when its activities as to coarse grains ceased on December 15, 1918, and on inquiry I can hear of no complaint having been made as to his course of action while he was here.

Very truly,

W. A. GLASGOW, Jr..

Mr. HENRY. Mr. Chairman, I would like to put into the record a letter written by Mr. McArthur, who made that affidavit—which affidavit I say is absolutely false. It is a letter written by him to the Union Meat Co., Portland, Oreg., in which he assures them he will help defeat the Borland resolution.

The CHAIRMAN. Without objection, that will go in.

Mr. HENRY. I will have to send that letter here to the clerk to be put in.

(And, at 5 o'clock and 30 minutes p. m., the committee adjourned until to-morrow morning at 10.30 o'clock.)

(The letters referred to above are as follows:)

HOUSE OF REPRESENTATIVES,
Washington, D. C., July 11, 1916

Mr. C. C. COLT,
North Portland, Oreg.

MY DEAR MR. COLT: Replying to your telegram of July 7, I beg to advise that I am unalterably opposed to the Borland resolution, and believe it altogether improper at this time.

It was conceived and presented with the sole view of making political capital for the party in power, but I have been advised by those who are in a position to know that the resolution will not be pressed unless there is a demand for it from the White House.

I am of the opinion, however, that because of the approaching election this demand will not be forthcoming. I have spoken frankly about the situation, and you will, of course, regard my statement as confidential.

In conclusion, I wish to say that I am getting sick and tired of this administration of hypocrisy and demagoguery, and am confident that it will be terminated on March 4, 1917.

Yours, faithfully,

C. N. MCARTHUR

DEPARTMENT OF JUSTICE,
OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., November 9, 1912

ASA P. FRENCH, Esq.,
United States Attorney, Boston, Mass.

SIR: I have examined the indictments returned against the Consolidated Rendering Co. and various officers or directors of that company, including Edward A. Tilden and Edward F. Swift of Chicago; and I have discussed with Mr. Gregg the evidence at the disposal of the Government in which these indictments are to be tried.

It appears that the combination complained of was brought about entirely prior to three years ago, under the direction of E. C. Swift, now dead; and after Mr. Swift's death, his son, Edward F. Swift, and Mr. Tilden, one of the trustees under his will, were elected to the offices which they at present hold in the Consolidated Rendering Co.; that their connection with the company has

been purely formal and official, and they have attended but very few, if any, meetings of the board of directors; and that there is no evidence in the possession of the Government showing knowledge or participation on their part in any of the acts charged to have been done during the last three years which constitute a violation of the Sherman law, upon which the indictment is predicated. Therefore, the sole basis for the responsibility sought to be imputed to them lies in their official connection as officers and directors of the company. In my opinion, this is absolutely insufficient evidence upon which to base any expectation of a conviction, and I do not think that the mere circumstance of their having such official connection with the company is sufficient to warrant their indictment. It is a sufficiently difficult matter at least to sustain criminal prosecutions under the Sherman law; and embracing men in indictments solely because they occupy positions as directors or officers of a company charged with violation of the law, without going further and showing knowledge of personal participation in acts claimed to constitute a violation of the statute, only tends to bring the law itself into disrepute and to enhance the existing difficulty in securing any conviction.

Unless, therefore, you know of some reason which has not been submitted to me, or have some facts other than those above stated, you will dismiss the indictments as against the two defendants named.

Respectfully,

GEO. W. WICKERSHAM,
Attorney General.

The CHAIRMAN. Now, Mrs. Kelley, you may proceed to make your statement. State who you are and what you represent.

**STATEMENT OF MRS. FLORENCE KELLEY, GENERAL SECRETARY
OF THE NATIONAL CONSUMERS' LEAGUE, 289 FOURTH AVENUE,
NEW YORK CITY.**

Mrs. KELLEY. Mr. Chairman, I speak as the secretary of the National Consumers' League, of which the Hon. Newton D. Baker, Secretary of War, has for three years been the president, and of which Mr. Brandeis, before he became a justice of the United States Supreme Court, was, by his own generous action, counsel for a number of years. Mr. Felix Frankfurter has followed Mr. Brandeis.

The interest of the National Consumers' League in the packers is of very long standing. Our interest in the Sims bill is that it gives us a perfectly new hope that something effective may be done in regard to the price of meat to the individual consumers. The Consumers' League has as one of its objects the continuous study of, and, so far as it is possible to the consumers, the improvement of conditions under which work is done and products are distributed. Practically the league has been at work for nine years in promoting minimum-wage legislation, and for the last two years it has been quite obvious that the gains, the pitifully slight gains, made in the wages of women and minors through our efforts have been largely consumed in the sudden, and so far the lasting, increase in the cost of the necessities of life, particularly in a very wide range of foods.

I have lived for a quarter century among the very poor working people—first in Chicago, and later in New York, on the east and west sides of lower Manhattan—and I have never known a time when there was so little meat sold to the poor working people—that is, to the sweat shops, to the families of the men who all classes of the humbler working people in the past year. The sales have been so small that who is acquainted with those neighborhoods, the dwindled, shrunken little retail stores

where working people buy their supplies without being shocked and filled with pity and with fear. We are told by the nurses who nurse among the poor, by the doctors, and by the teachers of the children of the poor that it is largely because of malnutrition that there has been so little power of resistance to the plague which has scourged New York City during the last half year.

In the schools malnutrition is so general, not in any one region of the city, but wherever the children of working people go to school, malnutrition is so general that after fighting off the idea for 15 years the city of New York has now appropriated \$50,000 to be spent for lunches to make sure that the school children shall have meat, or soup made from meat, at least once in the day. In the Italian districts it is not uncommon for the school children to have meat only once a week. Now that is new in the experience of decent, honest working people in this country.

For 20 years we have acted on the belief that almost any industrial evil can be mitigated, if not be cured, by having the light permanently turned on it. That has been the method of work of the Consumers' League since it first started five and twenty years ago as a local undertaking in New York City. We began by white-listing those retail merchants who treated their employees in the most enlightened way, who furnished seats for the women, who had reasonably short hours, and so on. We kept the light turned on conditions in the stores and those conditions have continuously improved. We turned the light on the sweatshops. It has been possible to remove the manufacture of private soldiers' uniforms from the tenement houses in New York City by the method of keeping the light turned on. We have turned the light on wages. Every State minimum wage commission which has been created—and they are at work in 13 States, besides the one here in the District of Columbia—every minimum wage commission exists for the purpose of keeping the light turned on the worst wages that are paid, and on leveling up the lowest wages to the point of affording, if not a living wage, at least a minimum subsistence for women and minors and children. We know on what basis in those 13 States the prescribed wage rates are fixed. They are fixed in part on the basis of the cost of a very modest food ration, which differs in the different States. It is obvious that if the cost of food is to rise, irresponsibly and incalculably the minimum wage commissions have a quicksand on which to base their wage rates; so that our work becomes illusory unless we can also have the light turned continuously on the processes of production and distribution of food. We believe that the provisions which are contained in the Sims bill, which is now before this committee, offer hope of that.

I should like, if I may, to tell the experience which I myself have had with the Chicago packers. I was for four years the responsible head of the State factory inspectors in Illinois. At that time there was in force a law which restricted to eight hours in one day the working time of female employees of any age. It was our duty particularly to look after the manufacturers of clothing under the sweating system, but we were not confined to that. The bill went into effect July 1, 1893, and within nine months perfectly clear cases of

violations of the eight-hour law were flooding our office. Unhappily, we had not at our command the services of Mr. Brandeis in those days, as the Consumers' League had later. We had to take what counsel we could get. We prosecuted violators of the eight-hour law, and immediately the contractors began to show us circulars which they had received from the Illinois Manufacturers' Association, of which the packing concerns were important contributors and members. These circulars notified the contractors in the garment trades that they need not obey the eight-hour law; that any one prosecuted under it would have the costs of his defense defrayed for him. We received these circulars from men in the garment trades by dozens and scores. A case was carried to the supreme court of Illinois in 1895. Mr. Levy Mayer was counsel for the defendants. The case arose in the garment trades, but the costs of the defense were defrayed by the whole Manufacturers' Association. The court decided that it was contrary to the Constitution of the United States and to the bill of rights of Illinois to place any restriction whatsoever on the working hours of women. And that cruel and ruthless, and, as it has since been shown, unconstitutional decision was in force from May 15, 1895, to 1910. For 15 years it was perfectly legal for the sweaters, or the packers, or anyone else, to employ women and girls, beginning at the sixteenth birthday, unlimited hours. And I assure you their hours of labor were unlimited in the State of Illinois through those 15 years. In 1908 the Supreme Court of the United States held that that was bad law. But I have been exceedingly interested in these hearings to have my old acquaintance, Mr. Levy Mayer, here in defense of the packers.

At this moment we have this singular situation: There have been for at least five weeks repeated complaints on the part of the packers that they are clogged, overloaded; that their warehouses are bursting with hog products; and yet my poor neighbors are having their children fed by charity in the public schools because they can not buy meat at the prices at which meat is now sold. That coincidence appears to the minds, particularly of women—and women are more intelligent about the relations of law and publicity to their affairs than they ever were before—this coincidence of the overburdening of the producers with meat, and the malnutrition, the permanent anemic malnutrition, of the children of the working people in our schools appear to the people with whom I work so startling that it becomes our duty to follow these hearings. We have been represented here, but we have not followed these hearings as we have followed our program of legislation. From now on, however, it is the obvious duty of the intelligent women of this country, just in proportion to their intelligence, to follow these hearings and this bill, and of kindred legislation, in the Nation and the States, with the same persistence with which we have worked for minimum-wage laws. We have been busy hitherto with their nominal wages, but from now on we shall be busy also with their real wages, with the food, the clothing, the housing, and the health that working people can assure to their children by means of the wages that they get.

Mrs. Kelley submitted the following paper:

FEBRUARY 13, 1919.

Statement of the National Consumers' League on the Sims bill (H. R. 13324) to provide transportation, storage, and marketing facilities for and to regulate the commerce among the States in live stock, meats, and other products derived from live stock or the slaughtering of live stock.

Hearings now being held before House Interstate Commerce Committee.

The National Consumers' League is an organization having headquarters in New York City and 86 State and local leagues in 15 States.

The Consumers' League has been active during the 20 years of its existence in behalf of legislation to improve standards of health, safety, wages, and living conditions in industry. It has been our contention at all times that on the consuming public rests the responsibility for seeing that decent wages are paid and that wholesome working and decent living conditions are accessible for the wage earners. The fact that there may be few or many employers between workers and consumers does not lessen the consumers' ultimate responsibility for the well-being of the worker whom he indirectly employs.

The Consumers' League has educated public opinion, diffused information, and both promoted and defended before the courts legislation for the purpose of establishing better conditions for the workers while securing to the consumers exemption from the dangers resulting from unwholesome industrial surroundings. Its special object has been to find out under what conditions the articles purchased are produced and distributed, and to insist that these conditions shall be wholesome and consistent with a respectable existence on the part of the workers. The league realizes that a democratic republic can not go on forever with increasing masses of people unable by honest toil to live "in health and frugal comfort," and that the principle must be established that the consumers of the country are individually responsible for the welfare of those whom they employ, directly or indirectly. Minimum-wage laws are in force in 13 States and the District of Columbia. But the intent of such laws is in some measure defeated for the moment, because with the outbreak of the war has come a violent upward thrust of the prices of food and other necessities. Figures of the United States Bureau of Labor Statistics show that the cost of food alone has risen 87 per cent since 1913.

The Consumers' League believes it necessary to supplement its work heretofore by the persistent advocacy of legislation tending to keep the prices of necessities of life within the range of the workers' wages.

We have been impressed with the grave significance of the disclosures in the Federal Trade Commission's summary report on the meat-packing industry. The report reveals (see p. 11) that the packers' profits in 1917 have more than quadrupled, though the sales have barely doubled, as compared with previous years.

We believe that without prejudicing the interests of the live-stock raisers the interests of wage earners will be conserved by the provisions of the Sims bill. Prices of meats and meat substitutes, whether fixed by competition or regulated by a suitable governmental agency, would doubtless be more favorable, both to live-stock raisers and consumers, than those controlled by the packers. Moreover, the legislation will, we hope, help to determine the most economical methods for finally conducting the packing industry and the distribution of such closely allied food products and meat substitutes as poultry, eggs, milk, butter, and cheese, shown by the summary report of the Federal Trade Commission to be rapidly coming under the control of the same packers.

Among the provisions of the Sims bill, one which especially commends itself from our standpoint is that for licensing, because this involves assuring to the public continuous access to all the facts about the industry.

This subject deserves intelligent consideration by Congress. We, the consumers, should not let it rest. We want to know what the facts are. Knowing the movements of prices during and since the war, we want to know what is going to be done about it. We want to know why prices are high and what Congress proposes to do. We are disturbed by the revelations made before the Senate Committee on Agriculture and the House Interstate Commerce Committee, and we think the Sims bill may help to get at the facts.

Mr. HAMILTON. Mr. Chairman, I wonder if we shall have an opportunity to ask any questions of Mrs. Kelley?

The CHAIRMAN. Of course, it is perfectly satisfactory to me.

Mrs. KELLEY. I would be very glad to answer any questions.

Mr. HAMILTON. To my mind this is a very important thing.

The CHAIRMAN. Let us go ahead then.

Mr. HAMILTON. So far as I am concerned, I would like to have her come back, if she can, after 2 o'clock. We have only 10 minutes now. This National Consumers' League is engaged in a wonderful work.

The CHAIRMAN. Proceed, then, Mr. Hamilton.

Mr. HAMILTON. There is only a very little time now, and we would scarcely get under way.

Mrs. KELLEY. Mr. Chairman, the statement which I made to Mr. Heney was that I should like to know whether, in case he were going to use all the time until 1 o'clock, there would be time for me to come immediately after the session is reconvened this afternoon. I could not stay over, but I could stay for the early afternoon.

The CHAIRMAN. Of course, I don't know how long Mr. Heney is going to be on the stand when he comes back.

Mrs. KELLEY. I don't wish to interfere at all with your procedure with Mr. Heney. I can come back at 2 o'clock.

The CHAIRMAN. If Mr. Hamilton or anyone wants to ask any questions now, we will go ahead.

Mr. SANDERS. I suggest that Mr. Heney come on at 2 o'clock and that the committee hear Mrs. Kelley at some time when she has more leisure.

The CHAIRMAN. Then we will take a recess now until 2 o'clock.

(Whereupon, at 12.55 o'clock p. m., the committee recessed until 2 o'clock p. m., this day.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, February 14, 1919.

The committee met at 10.30 a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order.

We have Chairman McChord, of the Interstate Commerce Commission, with us this morning, but before he makes a statement to us I believe some gentleman wishes to present some papers to go into the record at this point.

The gentleman may now present his papers.

Mr. HEALY. I am asking for leave to file in the record some excerpts from the testimony given by Mr. Henry Veeder, general counsel for Swift & Co., before the Senate committee. These excerpts deal exclusively with the question of the effort made by Swift & Co. to obtain a hearing before the Federal Trade Commission, independent of any effort which was made by Mr. Mayer, of Armour & Co.

This is a complete statement of the efforts made by Mr. Veeder, and on these documents he was cross-examined by Mr. Healy before the committee, so that these papers present the entire situation.

Mr. HAMILTON. Do those excerpts contain the cross-examination?

Yes.

N. Was it printed in the Senate hearings?

Mr. HEALY. Yes, sir; but we would like to have it go in the House hearings following the statement made by Mr. Heney.

The CHAIRMAN. You want to have it printed in the House hearings following Mr. Heney's statement?

Mr. HEALY. Yes, sir.

The CHAIRMAN. It has already been printed in one body, but you now ask the unanimous consent of this committee that they may be printed in the hearings of the House from the Senate hearings?

Mr. HEALY. Yes, sir.

The CHAIRMAN. Is this an exact copy of what was done in the Senate hearings?

Mr. HEALY. Yes, sir.

The CHAIRMAN. Gentlemen of the committee, you have heard the request, what have you to say about it?

Mr. SANDERS. I move that the request be granted.

The CHAIRMAN. Is there any objections? The chair hears none.

Mr. RAYBURN. Do those papers which you hold in your hand contain the full information on the subject of the request made of the Federal Trade Commission for a hearing, and all of the cross-examination while Mr. Veeder was on the stand before the Senate committee?

Mr. HEALY. No, sir; only the statements made by Mr. Veeder in reference to this particular matter, with the full cross-examination on that aspect of the matter. It contains the letter he wrote to the Federal Trade Commission and the letter to the President, and so on.

Mr. SANDERS. These papers are relative to the request for a hearing?

Mr. HEALY. Yes, sir. And it shows that at the Chicago hearing a stenographer was excluded.

Mr. SANDERS. Well, never mind what it shows, but I move that it go in.

The CHAIRMAN. Without objection that action will be taken.

Mr. HEALY. All right, gentlemen. I thank you.

(The excerpts referred to by Mr. Healy are as follows:)

EXCERPT FROM STATEMENT OF MR. HENRY VEEDER BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY, UNITED STATES SENATE, WEDNESDAY, FEBRUARY 5, 1919.

Mr. VEEDER. At the hearing in Boston, on December 28, 1917, Commissioner Murdock presiding, the following colloquy occurred between Mr. Heney and the commissioner:

"Commissioner MURDOCK. This meeting will come to order. This is a hearing held by the Federal Trade Commission under the direction of the President of the United States and the authority of Congress in an inquiry into the food products of the country and the high cost of living.

"Proceed, Mr. Heney.

"Mr. HENY. Mr. Commissioner, I should like to ask for an order at this time excluding all witnesses from the room with the exception of the witness who is being examined, following the same policy we followed in Washington at the commencement of the hearings.

"Commissioner MURDOCK. That order will be made.

"Mr. HENY. I think it might be well for me to state for the benefit of the members of the press that this investigation is not a trial in which any parties are defendants and thereby entitled to appear by attorney. It is an investigation into the economic conditions as well as practices that may be prevailing, and it is ex parte, and while the commission will be glad to hear any witness that presents himself here, no one comes here with the right to be represented

attorneys, with the right to put on witnesses, because there is no investigation of that sort being conducted."

That is the statement.

Mr. HENEY. Now, that statement says that the commission will be glad to hear witnesses, and therefore if Mr. Macgivney had any witnesses all he had to do was to produce them. If you had any witnesses at any of these hearings all you had to do was to produce them. You do not claim, Mr. Veeder, that you ever at any place during these hearings, either yourself personally or through anybody else, offered any witnesses who was refused to be heard?

Mr. VEEDER. You expressly state here that the parties will not be permitted to put on witnesses. You do not say that any individual may himself appear on the witness stand, without attorney, without the privilege of bringing on witnesses to corroborate what he says.

Mr. HENEY. Where does it say that?

Mr. VEEDER. Just let me finish this—

Mr. HENEY. No. Where does it say that? You are making a statement now that is not in there.

Mr. VEEDER (reading):

"It is an investigation into the economic conditions, as well as the practices that may be prevailing, and it is ex parte, and while the commission will be glad to hear any witness that presents himself here, no one comes here with the right to be represented by attorneys, with the right to put on witnesses, because there is no investigation of that sort being conducted."

Mr. HENEY. Exactly. But if you brought six witnesses there, each one going to corroborate the other, I state there they will be heard. Did you produce a witness anywhere and ask that he be heard, either you yourself or anybody for you, at any one of these hearings who was refused the right to be heard?

Mr. VEEDER. If I understand the English language—

Mr. HENEY. You can answer that question and then explain it.

Mr. VEEDER. If I understand the English language, it expressly states that parties will not be permitted to put on witnesses.

Mr. HENEY. That does not answer my question.

Mr. VEEDER. And now no man is going to appear before you, a subordinate, presiding as an examiner, as was usually the case, and submit himself to your examination, with all the insinuations and crooked inferences that were made by you constantly in that examination and in all the hearings, without the privilege of being protected by the presence of an attorney or without the privilege of producing witnesses to corroborate his testimony.

Mr. HENEY. Now, will you answer my question?

Mr. VEEDER. What is your question?

Mr. HENEY. Did you personally, or anybody for Swift & Co., send a witness to a hearing or bring any witness to a hearing and ask that he be heard?

Mr. VEEDER. We did not send any witnesses or bring any witnesses to a hearing at which you presided or in which you participated and ask that he be heard. We did constantly protest, and I desire to read into the record the letters of protest which we have constantly made from the beginning as to the conduct of your hearings.

Mr. HENEY. Well, any protest on the proposition of having a witness heard?

Mr. VEEDER. Protests on the way that the hearings were conducted from the beginning to the end.

Mr. HENEY. Any request that you be permitted to examine witnesses?

Mr. VEEDER. Not specifically that. We took this record as speaking your mind on the matter. We protested against it; we constant protested against the ex parte hearings and protested against the methods that you employed in the hearings. We protested to the President, protested to the commission, protested to the chairman of the commission.

Mr. HENEY. But you also went to Mr. Hurley while he was chairman of the Federal Trade Commission and discussed with him the question of a hearing in the event that the Borland resolution was passed, did you not?

Mr. VEEDER. I would like at this point to answer this question and also to take up the further protests that we made from time to time to Chairman Davies, to whom I went, to Chairman Harris, and to Mr. Parry.

Mr. HENEY. I have not any objection to your discussing anything you please; but it seems to me if you will answer my questions first and then go ahead and make any explanations you desire, or any addition, we will get along better. I do not want to have to go back later and re-ask the question. You know what the rule is in regard to answering questions.

Mr. VEEDER. On November 21, 1916, I went to Chairman Hurley. I said to Chairman Hurley that there was a bill pending before the Agricultural Committee or a subcommittee of Congress—the Borland resolution; that I did not want him to think that because the packers were opposing that resolution they were opposed to an investigation; that the packers were not opposed to an investigation that was a general investigation; that this bill specifically charged that the packers had committed crimes before a word of evidence had been taken; that the bill named the packers—I will just read the sentence.

Senator NORRIS. Is the bill long?

Mr. VEEDER. It is a short bill.

Senator NORRIS. You mean the resolution?

Mr. VEEDER. The Borland resolution.

Senator NORRIS. Suppose you put the whole thing in right now. Let us have it all in.

Mr. VEEDER. All right. The resolution reads as follows:

“Resolved, That the Federal Trade Commission be, and it is hereby, directed under the authority of clause D, section 6, of an act entitled ‘An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes,’ approved September 26, 1914, to investigate and report to the House of Representatives the facts relating to any or all violations of the antitrust laws of the United States by the following corporations, or any of them, to wit, Armour & Co., Cudahy Packing Co., Morris & Co., Swift & Co., and other individuals, firms, and corporations engaged in the slaughter of meat animals and the packing and sale of resultant products, and also of corporations ancillary to their operations, including, among other things, stockyards companies, car-holding companies, terminal railways, and financial institutions that lend money on live-stock paper, in respect to any act, combination, agreement, or conspiracy to restrict, depress, or control the price bid for meat animals, or to restrain commerce in meat animals or the products resulting from the butchering of said animals.”

That resolution was pending in Congress at the time I called on Mr. Hurley. I went to Mr. Hurley, and I told him that Swift & Co. had no objection to an investigation being made along similar lines to the investigation being made by his commission, if the matter should be referred to his commission, under the bill, or in any other way; that Swift & Co. did object to being charged in that bill specifically with committing a crime before a word of evidence had been taken, but that so long as a bill of that nature was pending, they would make every effort in their power to prevent its passage; that if the commission made an investigation, Swift & Co. would submit its books and papers and furnish any and all information within its power and cooperate to the fullest extent with the Federal Trade Commission; that in making this offer Swift & Co. did not claim immunity, did not expect it; that if, as the investigation developed, it was found that anybody had committed crimes, it would be expected that those people would have to take their medicine and prosecution; that what we desired was an opportunity, in case there was an investigation, to explain before we were condemned; that ever since 1902 the packers had been constantly held up before the public as criminals, held up before the public as criminals before any evidence had been taken, and in every event had been either acquitted, or in other ways the charges had fallen to the ground; that we desired at this time, if possible, the investigation be made, and that before any charges were made, we be given the opportunity of explaining the charges, if they could be explained, and of furnishing information which would result in our not being charged before the public with being criminals.

Mr. Hurley suggested to me that Swift & Co. put such suggestions in writing and file them with the commission. In fact, he suggested that the several companies put their suggestions in writing. I went back to Chicago, and Swift & Co. wrote the following letter, which was signed by Mr. Louis F. Swift:

NOVEMBER 22, 1916

FEDERAL TRADE COMMISSION,
Washington, D. C.

DEAR SIR: The present Congress has been urged to authorize and direct the Federal Trade Commission to make an investigation of trade conditions surrounding the production, transportation, and marketing of live stock, the packing and marketing of the products thereof, and a like investigation of allied industries.

For the purpose of avoiding any misunderstanding as to the attitude of Swift & Co. towards such an investigation, I have the honor to inform the Federal Trade Commission that if in its judgment such an investigation is advisable, whether under direction of a resolution of Congress or upon its own initiation, the books and records of this company will be freely open to the commission and to its representatives, and the officers and employees of the company will, upon its request, be pleased to furnish the commission with any and all information in its possession in reference to that part of the business under investigation with which the company has to do.

Sincerely yours,

On February 7, 1917, the President sent his letter to Congress directing the investigation, and on February 12, 1917, L. F. Swift wired Chairman Harris, Secretary Houston, and the President. The wire to Chairman Harris was in the following language—

Senator NORRIS. Mr. Harris in the meantime had become chairman of the Federal Trade Commission?

Mr. VEEDER. Mr. Hurley had resigned, and Mr. Harris had become chairman. [Reading:]

"I have seen in the newspapers President Wilson's letter directing an inquiry into the cost of foods by the Federal Trade Commission and your department.

Wish to inform you that the books and records of Swift & Co. will be freely open to the commission and to its representatives, and that the officers and employees of the company will, upon your request, be pleased to furnish the commission with any information in its possession in reference to that part of the business under investigation with which the company has to do.

I especially think that the commission should endeavor to ascertain the reason for the failure of the production of live stock to keep pace with the increase in population.

I respectfully suggest that any investigation of this question as regards meat must, in order to be thorough, cover the entire industry from the calf to the table.

LOUIS F. SWIFT.

Senator NORRIS. Were the other telegrams in substance the same?

Mr. VEEDER. No; they are quite different. They covered various phases of this situation as the situation developed.

Senator NORRIS. Do you want to read those?

Mr. VEEDER. I desire to read them all in.

Senator NORRIS. All right; go ahead.

Mr. VEEDER. In February, or the early part of March, I called upon Chairman Harris and Commissioners Davies and Parry in Washington. I had with them an hour's conference and covered about the same situation that I had covered with Chairman Hurley. I stated to them, as before, that we were not opposed to this investigation, provided that we were not held up in advance as criminals; that we believed that there should be an investigation that covered the entire field, as Mr. Swift expressed it, from the calf to the table; that the margin of profit of Swift & Co. was narrow; that if they were going to get any economic results we believed that it was necessary to investigate the producer and the retailer; that we made no charges against the producer and the retailer; that personally I believed the retailers as a whole were not making an undue amount of money, that their expenses of distribution, etc., were high, and that their credit system was expensive to them.

Chairman Harris was particularly interested in the retail proposition, and told about purchases at retail shops in Washington and Georgetown in which he found he could buy good cuts of meat cheaper in Georgetown than in Washington, and I explained that by saying that the butcher in the poor section of the city could sell his poor cuts better than he could his better cuts, and he had to dispose of all of them. And I made the same offer to submit our books that I had made to Chairman Hurley, and stated that we did not claim any immunity if we were guilty of violation of the law; that we desired simply a chance to explain the facts before we were condemned by the public.

Now, on October 3—in the meantime the Federal Trade Commission's investigators had begun investigating our books. The interview with Chairman Hurley was in 1916, and with Chairman Harris and with Commissioners Davies and Parry in the last of November or the first of March, 1917. Then the

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commission began its investigation. On October 8, or just prior thereto, there had appeared in the newspapers this statement. This appeared in the Chicago Examiner; there was a similar statement in the Baltimore Star, I believe (reading):

WASHINGTON, September 22.

Evidence of sharp practices on the part of the meat packers has been discovered by the Federal Trade Commission investigators, it was learned to-day. Data was presented by Francis J. Heney, special investigator.

It was learned, the commission declares, that the packers entered into an agreement by which none of the big firms was to compete with others in the pool in certain territory. In this way prices were kept up through lack of competition and the retailer was held at the mercy of the "trust."

Mr. HENRY. What date was that?

Mr. VEEDER. That was a dispatch to the Chicago Examiner under date of Washington, September 22, and appeared in the Chicago Examiner on September 23, 1917.

Mr. HENRY. Is that the one that met with a denial?

Mr. VEEDER. I am about to read the correspondence in reference to that. Mr. Heney; yes. On October 8, 1917, I wrote the following letter:

OCTOBER 8, 1917.

Hon. JOSEPH E. DAVIES,

Federal Trade Commission, Washington, D. C.

DEAR SIR: I tried to see you while I was in Washington October 1 and 2, but you were so busy that I failed to do so. My purpose in seeking an interview with you was to hand you the inclosed clippings, one from the Baltimore Star of September 21 and the other from the Chicago Examiner of September 23, which purport to be an interview with Mr. Heney, in which Mr. Heney states, in substance, that he has evidence that the packers entered into an agreement by which none of the big firms were to compete with others in certain territory.

The packing company I represent denies absolutely that it is in any such combination. Furthermore, we think it hardly fair that these unproved accusations should be spread broadcast in the public press.

You will remember that in one of my early conversations with you—at the time the present investigation was contemplated, I stated absolutely that the company I represent was not in any combination in restraint of trade and requested that the company be given the opportunity to be heard before it was publicly charged with violations of the antitrust law or the Clayton Act. I mentioned this at that time because during the past 15 years the company has suffered in public opinion from the publication of just such unfounded statements, and we were in hopes that in this investigation such statements would not be published and the company prejudged until we had the opportunity of submitting to you all the facts. I desire to renew my request that Swift & Co. be given the opportunity of being heard before it is publicly condemned by the investigators of having violated the law.

Sincerely, yours,

Mr. Davies replied as follows:

FEDERAL TRADE COMMISSION,

Washington, October 10, 1917.

Mr. HENRY VEEDER,

Counsel for Swift & Co.,

76 West Monroe Street, Chicago, Ill.

DEAR SIR: Your letter of the 3d, in which you object to certain newspaper clippings which purport to contain an interview with Mr. Heney, I wish to acknowledge. Mr. Heney advises me that he has not given any interviews with reference to this matter, and I am satisfied that the matter did not originate from the Federal Trade Commission.

If our investigation should disclose any violation of the law, the commission would undoubtedly proceed in the regular manner of taking the necessary legal proceedings or of making formal report to such department of the Government as had jurisdiction of the matter.

Very truly, yours,

JOSEPH E. DAVIES

Now, that letter did not answer my question. It sidestepped it by referring simply to one angle of it where I had said we did not expect immunity.

In the latter part of December, just before that, the hearings began in Washington and were continued in Boston, and Mr. Heney took the position which I have already read. On January 5, 1918, I wrote Mr. Davies in reference to a newspaper item in which it had been stated that Swift & Co. had refused to permit the Federal Trade Commission's examiners to examine its papers. I do not find that I have that clipping here. The reply which I received from Mr. Davies, however, fully explains the situation:

FEDERAL TRADE COMMISSION,
Washington, January 5, 1918.

Mr. HENRY VEEDER,
76 West Monroe Street, Chicago, Ill.

MY DEAR SIR: Due to a misunderstanding as to who was to reply to you, your recent letter explaining newspaper report of alleged refusal on the part of the Swift Packing Co. to permit the representative of the Federal Trade Commission to inspect its files has remained unanswered.

This investigation has been entirely conducted by Mr. Heney and has been under his direction. Therefore I am not familiar with the facts as to the situation. I understand, however, that all the statements made by Mr. Heney were supported by the statements of the special agent. Your explanation of the situation I have sent to Mr. Heney and the investigators in charge.

Very truly, yours,

JOSEPH E. DAVIES.

Now, on February 16, as a result of the continued publication of letters and papers taken from Swift & Co.'s files, with all sorts of vicious and nasty innuendoes and suggestions, Mr. Swift attempted to call upon the President to urge upon him that such letters—which in themselves were entirely innocent and simply besmirched the people whose names happened to be found attached to letters found in our files—Mr. Swift called upon the President to protest against the proceedings. Mr. Tumulty, whom he saw, suggested that he write a letter to the President. He did not see the President. Mr. Swift then wrote the following letter—in the first place I will read the letter from Mr. Tumulty:

THE WHITE HOUSE,
Washington, February 16, 1918.

Personal.

MY DEAR MR. SWIFT: Referring to your call at the Executive Office yesterday and to your renewed request for an appointment to see the President, he asks me to express his regret that his engagements are such as to make it impossible to add to his calendar at this time. He directs me to inquire if you will not be kind enough to send him a memorandum of the matter you wish to take up. This really would be much more serviceable to him than would a necessarily brief interview, and if you will send it I shall be glad to see that it reaches the President's desk promptly.

Sincerely, yours,

J. P. TUMULTY,
Secretary to the President.

Mr. LOUIS F. SWIFT,
Chicago, Ill.

FEBRUARY 19, 1918.

The PRESIDENT,
The White House, Washington, D. C.

SIR: Acting upon your suggesting through Secretary Tumulty, I beg to submit this memorandum of the matter concerning which I sought an interview with you last week. I would greatly appreciate even a brief opportunity to place my subject before you in person, because a frank discussion of such a question is always so much more satisfactory and the matter seems so important.

I am concerned about our ability to do all that we want to do to help the Government if the unusual and unfair method employed in the present Trade Commission investigation of the meat-packing business is allowed to continue.

Swift & Co. are willing and anxious that the Federal Trade Commission should make a thorough investigation of their business, and have given the representatives of the commission free access to their books and records. We seek no secrecy and we expect that pertinent facts shall be made a matter of record by the Trade Commission, and if, this being done, it develops that any

practices in our business should, for the benefit of the industry as a whole, be improved or changed, we will meet these changes promptly and whole-heartedly.

I assure you that Swift & Co. have not violated the law or knowingly been a party to any illegal actions.

What we do object to—and I think you will agree, righteously—is the unusual and spectacular method that has been employed by the representatives of the commission at the hearings which have been held in various cities throughout the country. Innocent and irrelevant facts, having no material bearing upon the subject matter under investigation, have been read into the proceedings with unjust characterization and sinister inference for the evident purpose that the charges so unfairly made should be published broadcast throughout the country and the packers held up before the public of the United States as criminals and men utterly lacking in humane and patriotic principles.

You can readily see that, try as we will to devote our whole energies to the successful conduct of our business, which is now practically conscripted to serving the forces of the United States and its associates in the war, it is humanly impossible for us to free our minds from the worry and vexations which this unfair notoriety produces. Surely such a policy is not for the best interests of the Government nor of the nations in the war. We want to and will do our utmost. We will run this business any way that you or the Government wants it run, but it seems unreasonable and entirely out of harmony with the spirit of cooperation which the administration is trying to effect that we should be unfairly criticized in public by a department of the Government when we are doing the best we can.

I wanted to lay the matter before you because, as stated above, it seems of such vital importance, and I wish now to leave it in your hands.

Thanking you for your consideration, I am, sir,

Respectfully, yours,

LOUIS F. SWIFT.

We received the following reply from Secretary Tumulty:

THE WHITE HOUSE,
Washington, February 27, 1918

MY DEAR MR. SWIFT: The President has asked me to acknowledge for him the receipt of your letter of February 19, and to say that immediately upon its receipt he looked into the matter about which you wrote him by careful inquiry of the Federal Trade Commission as to just what the character and process of the present investigation are. This inquiry has convinced him that there would be no warrant for his interfering with the judgment and action of the commission.

He is very sorry if any inconvenience has been caused Swift & Co., but has asked me to say that it is probable that the significance of many of the matters apparently irrelevant which the commission has drawn out in evidence will, as hoped, clearly appear in the final report of the commission.

Sincerely, yours,

J. P. TUMULTY,
Secretary to the President

Mr. L. F. SWIFT,
Chicago, Ill.

On July 25 Mr. Swift again attempted to see the President, and failed to do so; then he wrote this letter to the President:

JULY 25, 1918

MY DEAR MR. PRESIDENT: I understand that the Federal Trade Commission is about to make another report to the Senate upon the meat business. If the next report is characterized by error and false inferences, as was the last report, another gross injustice will be done the packers.

The commission has completed its investigation of the packers' business. All of the facts in reference to their business are now within the knowledge of the commission and there can be no excuse for the sensational statements and the unjust innuendoes contained in the last report, unless they are substantiated by proof.

That the statements are erroneous and unfair is apparent upon the face of the report itself, in that it compares a 3-year total war profit with a 1-year prewar profit; that it absolutely misstates the facts with regard to the prices of hides; that it presents profit figures in such a way as to give a totally false

impression as to their magnitude, suppressing the fact that the profit figures so presented are only 3 cents on each dollar of sales; and that it definitely accuses the packers of having a monopoly and of breaking the law without giving any facts to substantiate this accusation.

The figures representing the profit made by Swift & Co. during its last fiscal year when standing by themselves look large, but when the volume of business transacted by the company is considered; when it is remembered that such profit means only 3 cents on each dollar of sales, probably the lowest profit on turnover of any business in the country; that the company has paid for many years but 8 per cent to its 22,000 stockholders, 7,500 of whom are women, and last year paid but 10 per cent; that all of its profits in excess of such dividends have been put back into the business for financing its large inventories at present high values, and for constructing warehouses and plants at present high costs; and that the company must meet a declining market when the war is over—it can not justly be said that the company is profiteering.

That increased capital is necessary to finance the business is shown by the fact that Swift & Co. is compelled to borrow at least \$75,000,000 more money now than it did a year ago. If the profits of the business are so reduced that it becomes necessary to still further increase its borrowings, its credit will be assailed and it will be difficult if not impossible for the company to maintain its present efficient condition.

Swift & Co. is now under regulation by the Food Administration as to its profits on its food products, the first year of which will expire November 1, 1918. The company has succeeded in financing itself under this regulation of profits; however, I understand some of its competitors have not done so well. If the profits are still further reduced, it will necessarily follow that many packing firms will find it unprofitable to do business and will discontinue operations. This will result in diminished production and tend to monopolize the industry among the companies which, because of superior economies or other efficiency, can conduct their business with some profit on the restricted basis.

Profits should not be reduced to a figure that will bring about such a result, but preferably should be fixed at a figure which will stimulate production and war taxes should be levied on an ascending scale to tax war profits which may be accumulated by the more efficient. Swift & Co. has just paid war taxes for the last year amounting to \$8,500,000 and expects to pay still greater taxes for the coming year, and would prefer to pay such increased war taxes than to see profits so reduced as to curtail production and eliminate competitors.

The accusation that the packers have monopolized and manipulated the market without regard to law is a very serious charge and certainly should not be made without facts to substantiate the accusations. The Federal Trade Commission has no such facts, because they do not exist, and I make this statement after the commission has completed its investigation of the business of the packers. Swift & Co. is in open competition with the other packers. It has no power to manipulate prices if it desired to do so and it has lived up to the law in every respect.

The commission's investigation has been absolutely *ex parte*. Swift & Co. has been given no opportunity to introduce evidence, to cross-examine witnesses, or to explain its business. The commission's report not only ignores business principles, but willfully misrepresents facts, and in so doing is sowing the seeds of suspicion against American business generally.

Swift & Co. has been condemned before the public without a hearing by an agent of the Government whose word, because of the commission's official position, carries great weight, and I am writing you because I feel that your administration has been dedicated to justice, domestic as well as international, and because I also feel that the attitude of the Federal Trade Commission toward business in this country is subversive of the very principles upon which the American Republic was founded. I appeal to your sense of justice, to the American sense of fair play. I have no other appeal.

Respectfully,

The PRESIDENT,
The White House, Washington, D. C.

P. S. I am accompanying this letter with an analysis of the Federal Trade Commission's last report, which I trust you will read.

* * * * *

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Mr. VEEDER. Just before September 25, I think about the middle of August—the Federal Trade Commission sent a questionnaire to the wholesalers, and part of that questionnaire read as follows:

“Considerable evidence exists pointing to a rapidly increasing proportion of the wholesale grocers’ business centering in the branch houses of the big meat packers and complaints are arising. Are these inroads of the packers due to a greater economy in expense or narrower margin of profit? Or, is their growing importance in this field the result of unfair methods of competition and of financing this new enterprise at the expense of the meat business by an unfair division of overhead?”

“Specifically (a) to what extent has the grocers’ wholesale business been cut into by the big packers in the localities with which you are familiar? Can you give concrete figures from your own business?”

“(b) What is the explanation of such inroads by the big packers as have come to your notice?”

“(c) What measures of a constructive or remedial nature would you suggest?”

“The commission invites candor and freedom of expression, with the assurance that such expression will not be allowed to react to your injury. A franked envelope is enclosed for your reply, a prompt return of which will be highly appreciated.”

Swift & Co. then wrote the following letter:

SEPTEMBER 25, 1918.

Mr. L. L. BRACKEN,

Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: It has come to our notice that the Federal Trade Commission has issued a questionnaire to jobbers and wholesalers, the language of which assumes that the packers are indulging in unfair methods of competition and financing in what the commission terms “wholesale grocers’ business,” “at the expense of the meat business by an unfair division of overhead,” and in which the commission “invites candor and freedom of expression, with the assurance that such expression will not be allowed to react” to their injury.

The assumptions are unjust and uncalled for. They amount to charges against the packers without giving them the opportunity of a hearing or of meeting the charges. Such methods ignore fundamental principles of law and are illegal.

On the above ground Swift & Co. protests against the unfair and untrue assumptions in the questionnaire and requests as a matter of right that the circular referred to be recalled by the commission, and that any circulars which may hereafter be published or sent out by the commission do not make unfounded and unfair charges against Swift & Co., certainly not until such charges have been found to be true in a fair and open hearing in which Swift & Co. has been given the opportunity of facing its accusers.

Yours, respectfully,

F. S. HAYWARD.

In the meantime the summary of the commission’s report came out, and Swift & Co., by Mr. Louis F. Swift, as president, sent the following telegram to Mr. W. B. Colver, chairman of the Federal Trade Commission:

CHICAGO, October 10, 1918.

Mr. W. B. COLVER,

Chairman Federal Trade Commission, Washington, D. C.:

The summary of your report on the meat-packing industry, dated July 3, 1918, and released for publication August 8, 1918, contains many very serious charges against Swift & Co., which we feel are not based on a correct interpretation of the evidence collected.

Swift & Co. believes that it should have been given an opportunity to discuss and explain the evidence and data collected by the commission in its investigation of the meat-packing industry before the publication of the summary, and that such explanation would have saved the commission from doing the packing industry a serious injustice.

It is to be presumed that the commission’s full report, when published, will contain the evidence and data collected in its investigation, together with its conclusions and recommendations.

For the purpose of pointing out to the commission the full meaning and significance of the data it intends to publish in its full report, Swift & Co. requests

that it be permitted to submit for the consideration of the commission its explanation and interpretation of the evidence and data collected in its investigation, and for the purpose of preparing its explanation and interpretation of said evidence and data, Swift & Co. requests permission to go over said evidence and data with the examiners of the commission.

Swift & Co. will accommodate itself to any reasonable requirement that the commission may deem necessary or proper in the premises, and will in every way possible facilitate such examination and consideration of the evidence and data collected by the commission.

SWIFT & Co.,
LOUIS F. SWIFT,
President.

To which Swift & Co. received the following reply by telegram under date of October 11, 1918:

WASHINGTON, D. C., *October 11, 1918.*

LOUIS F. SWIFT,
Union Stock Yards, Ill.:

Your telegram 10th: If your attendance is found advisable you will be advised.
By direction of the commission.

COLVER, *Chairman.*

It must be remembered that this was an investigation of the packing business, and the packers' account books and files were mulled through, and papers were taken here and there from the files. At the time the papers were taken, explanations were made as to what they meant. Those explanations were ignored. The packers expected, of course, that any investigation of the business would include a request from the Federal Trade Commission to explain their business, or explain anything that was uncertain, and Swift & Co. had been promised by Chairman Harris, by Chairman Hurley, and Commissioners Parry and Davies that they would be given that opportunity to explain before publication was made and the hearing closed.

When the hearings began they were conducted in a very unusual manner. Papers and letters were read in and then turned over, before they were handed to the official stenographer, to the stenographer for the press, in order that they might be properly put into the papers before they got into the record of the meeting.

In Chicago the attorneys sent to the hearings a stenographer to take notes. The stenographer was not permitted to remain and take notes.

In Chicago on March 13, or just before that date, a labor newspaper published a statement of the salaries received by certain Swift & Co. officials. At that time there was an arbitration proceeding pending before Judge Alschuler relative to the wages of the employees of the packers. That hearing took place in a room in the Federal Building, and in the same building Mr. Heney was conducting the ex parte hearings for the Federal Trade Commission, with one of his own examiners presiding as officers. Letters would be read into the record at this hearing by Mr. Heney. They would then be handed to Mr. Walsh, who was the attorney for the labor unions, and he would take the letters across the hall, or such letters as it was thought would be of interest in that proceeding, and they were read into that proceeding. In other words, the Federal Trade Commission's hearings were made and conducted with an object of assisting the unions in their private arbitration with the packers.

When that article appeared in the labor paper as to the officials of Swift & Co.'s salary, Swift & Co. wrote this letter to the secretary of the Federal Trade Commission:

MARCH 13, 1918.

MR. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: We submit this complaint for the attention of the commission:

On August 29, 1917, we received from you Schedule A, calling for certain information relating to our business, including question No. 14, which required a complete list of the salaries (over \$5,000) paid by Swift & Co. to its officers and employees during the last fiscal year (1916). We completed Schedule A, including this list of salaries, and mailed it to you on September 8, 1917. Among the officers and employees included in the answer to this question were the following:

Louis F. Swift, \$46,250; Edward F. Swift, \$25,000; L. A. Carton, \$25,000; Charles H. Swift, \$19,475; G. F. Swift, jr., \$19,475; F. S. Hayward, \$14,812.50;

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W. W. Sherman, \$10,000; H. B. Collins, \$10,422.82; A. R. Fay, \$13,400; F. A. Fowler, \$15,000; F. J. Kitchell, \$11,641.55; W. Leavitt, \$15,000.

This information was compiled solely in answer to your schedule. The copies retained by us have been kept under lock and key ever since and are at present in our possession.

In the March 1, 1918, issue of the Chicago Labor News the following statement was published:

Following is a partial list of the salaries paid to some of the officers of the various plants, as of June 1, 1917, and while we have in our possession the complete list covering all the plants in the country, together with those in South America, we take only a few from each plant as a basis of comparison to the yearly wage paid the workers:

Louis F. Swift, \$46,250; Edward F. Swift, \$25,000; L. A. Carton, \$25,000; Charles H. Swift, \$19,375; F. S. Hayward, \$14,812.50; W. W. Sherman, \$10,000; H. B. Collins, \$10,422.82; A. R. Fay, \$13,400; F. A. Fowler, \$15,000; F. J. Kitchell, \$11,641.55; W. Leavitt, \$15,000.

In view of the fact that this paper has the exact * * * Trade Commission * * * Federal Trade Commission, and could be obtained only from their files, it seems very clear that the publication in question came into possession of the information through the agency of the Trade Commission.

In the Federal Trade Commission act Congress gave the commission drastic and unusual inquisitorial powers for the purpose of preventing unfair methods of competition in commerce; but to insure corporations against unjust and indiscriminate publication of their private affairs, the law expressly prohibits employees of the commission from disclosing information obtained in their investigations. Certainly Congress did not intend that the commission should make public portions of the information acquired for use in private controversies or for publication in trade journals, especially where, as here, the information has nothing to do with unfair methods of competition.

The making public of the salaries of officers and employees of Swift & Co. served no general public interest, and apparently was made solely to assist the representatives of the labor unions in their controversy now pending before Judge Alschuler concerning wages to be paid by the packing companies to their employees.

We therefore protest against the making public of information such as this and of all information which is of a purely personal and private nature and which is not impressed with any general public interest, and we complain that such publication is an abuse of the powers of the commission. We ask the commission to adopt rules and regulations which will in the future prevent information of a personal and private character which is not impressed with the public interest, acquired by its examiners in the course of their investigations, from being made public.

Please reply.

Yours, very truly,

F. S. HAYWARD,
Secretary

* * * * *

Mr. HENRY. Right here, Senator, let me state how it very easily could have occurred. They certainly did not get it from me, and I have no knowledge how they did get it. But I had papers on my desk, the same as they are on here now. Newspaper men were scattered from one end of the table to the other. The statement that these things were given to the newspaper men first is a half truth. The newspaper men asked the reporter to let them copy these things, so that they would get them in their afternoon editions, and he let them do it. It was up to him whether he let them do it or not, not up to me. They were sitting scattered along here, right close to me, and they would reach over and get one of these papers that had already been read into the record, and which they considered of public interest, and they could easily pick up a paper, or might have picked up a paper, that had not yet been read into the record. The fact is, I lost one important letter that I have never been able to find since. I do not know what became of it. Probably it was picked up by somebody in that way.

As to the Walsh letters, a riot occurred in East St. Louis, because thousands of negroes had been imported, and an investigation by a committee of Congress was made on the subject. They were imported by the packers to do away with white labor, advertised for in the South and brought up there. They were paid a wage to common labor that would not buy the bare necessities of

existence for a family of a man, wife, and three children, 17½ cents an hour for 10 hours, \$1.75 a day, which would make \$525 a year, at a time when Dr. Chapin said that \$800 would not buy the bare necessities of existence for a year, and that it was doubtful whether \$900 would.

Not only that, these packers had entered into a combination with each other to prevent the unionization of the men. The union had been destroyed in 1904, and the first time they destroyed the union prior to that, when there were riots in Chicago, in 1885, they had required the men to accept the wage of August, 1863, and the men would not accept that and went out on strikes, and riots occurred, and many were killed. The wages of 1863 were the lowest wages ever paid in this country, at a time when the men had come back from the Civil War and flooded the markets with labor.

These letters which were read into the record were read in because the newspapers of Chicago were denouncing the proposition of the importation of negroes and pointing out the menace—they were being brought into Chicago plants as well—that would occur from a race riot. These letters conclusively showed a combination among the packers for that very purpose, to my mind. Of course, Mr. Veeder would say that is a prejudiced mind. If they do not show it there is no harm done the companies and they have not been injured. As a matter of fact, what is making the galled jade wince is that these letters do show it, and I made them public in the public interest, and would do it over again.

Naturally Mr. Walsh sent some one over there. I was not there. Mr. Veeder says they were handed to Mr. Walsh. Mr. Veeder was not there, either. They were picked up in the same way that copies were gotten by others and were carried over there.

I frankly admit that I produced them so that Mr. Walsh could have the benefit of them in the arbitration proceeding on my own initiative, on no request from him. He did not know I had them. I thought it was in the public interest, and I thought it was in the interest of those thousands and thousands of employees out there—it runs up to something close to seventy-five or eighty thousand or over—that it should be done, and I have no apology to make for it. I only want the record to show what the facts are.

MR. VEEDER. I wish to state right here that Swift & Co. did not import negro labor from the South; it had no combination or agreement with other packers to import negro labor from the South and was not responsible for the riots that occurred at East St. Louis. Unfortunately during that year not only at East St. Louis but at many other cities, including Chicago, large numbers of negro laborers came from the South for the purpose of taking the places of men who had been drafted for the Army, and Swift & Co. was not responsible for that situation.

* * * * *

MR. VEEDER. On March 18, 1918, Secretary Bracken replied to the last letter I read in, some time ago, as follows:

**FEDERAL TRADE COMMISSION,
Washington, March 18, 1918.**

MR. F. S. HAYWARD,
Secretary Swift & Co., Union Stock Yards, Chicago, Ill.

DEAR SIR: Your letter of March 13, intimating that information concerning the salaries of the employees of Swift & Co. was, through the agency of this commission, given to the Chicago Labor News, has been received and presented to the commission.

The matter will be immediately investigated.

Very truly, yours,

L. L. BRACKEN, Secretary.

We never heard anything further of it.

In February, 1918, while the investigators were in the office of Swift & Co., the investigators took original papers, and informed Swift & Co.'s employees when they protested against the taking of the original papers, that if they did not want them to take them they would have to knock them down. They were going to take the papers anyway, and if they interfered they would have to knock the investigators down to get the papers back. The law absolutely pro-

vides that the commission shall have the right to examine and to copy. There is no authority to take original papers, except through process of law by the issuance of a subpoena duces tecum.

Swift & Co., on February 12, 1918, wired the commission in reference to the taking of these papers, as follows:

CHICAGO, *February 12, 1918.*

FEDERAL TRADE COMMISSION,
Washington, D. C.:

Your special agent, Child, took away from our office Monday night nine files of original papers over our protest. We have heretofore afforded your examiners the freest access to examine our files, and have ourselves made such copies of the files as they desired to take with them.

The taking of original files will seriously interfere with the conduct of our business and is not authorized by the law.

Under the circumstances, we must refuse to permit your agents or examiners to remove original files. We will, in accordance with the law, continue to give access to our files for personal examination and furnish copies as heretofore.

We ask that you instruct your agents and examiners to continue the investigation in accordance with statutes.

Please reply.

SWIFT & Co.

At that point I would state that, although not required by law, Swift & Co. had been furnishing the copies and the stenographic service necessary to make the copies. Swift & Co. received the following reply from the secretary of the Federal Trade Commission on the same day.

WASHINGTON, D. C., *5.20 p. m., February 12, 1918.*

SWIFT & Co.,
Chicago, Ill.:

Subject matter your wire February 12 being handled for commission by its special counsel, Francis J. Heney, Morrison Hotel, Chicago. Wire referred to him.

BRACKEN,
Secretary Federal Trade Commission.

The same day, on February 12, 1918, the papers were returned by Mr. Adams, together with this letter:

CHICAGO, ILL., *February 12, 1918.*

Mr. LOUIS SWIFT,
President Swift & Co., Stock Yards, Chicago, Ill.

DEAR SIR: Through a fault of mine in transmitting instructions to Mr. W. W. Childs, special agent of the Federal Trade Commission, he yesterday afternoon removed from the offices of your company several files on the subject of the Federal Trade Commission. Immediately upon learning that there had been a misunderstanding, and that Mr. Childs had removed these files from your office, he was instructed to return them to you intact and hand you this letter.

The instructions were that Mr. Adams secure, if possible, some letters and memoranda which he had found in your files relating to the business of the Federal Trade Commission. He was particularly instructed to secure, if possible, the original mutilated letter which was written by one of the employees high in counsels of the Federal Trade Commission. This letter was mutilated by having the signature cut from it.

I regret very much the fact that I made the mistake in transmitting the instructions to Mr. Childs.

I am, very truly, yours,

A. B. ADAMS,
Examiner and assistant in directing food investigation.

Mr. VEEDER. In reference to taking original documents from the office, we had another instance of that, and on February 22, 1918, the

secretary of the company wrote the secretary of the Federal Trade Commission as follows:

FEBRUARY 22, 1918.

Mr. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission,
Washington, D. C.

DEAR SIR: Your agents, Messrs. Twombly and McIsaacs, during their examination of our correspondence, obtained from us copies of a great number of files. There was, however, certain original files that were rather voluminous and which they asked to be allowed to remove from our office with the express understanding that, as to some of them, they would be returned next day and, as to others, that they would not be held longer than two weeks.

We desire to call your attention to the fact that these files have not been returned in accordance with the understanding given us by your agents, and we ask that they be returned to us now.

Please reply.

Yours, respectfully,

F. S. HAYWARD.

March 5, the secretary of the commission replied as follows:

FEDERAL TRADE COMMISSION,
Washington, March 5, 1918.

Mr. F. S. HAYWARD,
Secretary Swift & Co.,
Union Stock Yards,
Chicago, Ill.

DEAR SIR: I am directed by the commission to say, in reply in your letter of February 22 in which you call attention to the fact that certain records were obtained from your office by the commission's agents, Messrs. Twombly and McIsaacs, that the entire matter is in charge of Mr. Heney, who is now detained in Chicago by certain litigation.

Your communication will be given attention by him immediately upon his return to Washington.

Yours, very truly,

FEDERAL TRADE COMMISSION,
L. L. BRACKEN, *Secretary.*

On March 20, 1918, Mr. Hayward wrote to Mr. Heney:

MARCH 20, 1918.

FRANCIS J. HENEY, Esq.,
Federal Trade Commission,
Conway Building, Chicago, Ill.

DEAR SIR: I inclose copy of letter written the secretary of the Federal Trade Commission, Washington, under date of February 22, asking for the return of certain original documents which were taken from the office of Swift & Co. with the understanding that they would be returned within a period of not more than two weeks, and which have not been returned. I also inclose a copy of Mr. Bracken's reply under date of March 5, 1918, directing us to take up the matter mentioned with you.

Will you kindly have the original files mentioned returned to us and oblige,

Yours, respectfully,

F. S. HAYWARD.

On April 25, 1918, Mr. W. B. Traynor, the assistant to President Louis F. Swift, wrote me as follows:

SWIFT & Co.,
Chicago, April 26, 1918.

Mr. HENRY VEEDER,
76 West Monroe Street, Chicago, Ill.

DEAR SIR: Referring to your phone conversation to-day:

Am sending you herewith copies in duplicate of the two files covering matters under correspondence with the Federal Trade Commission. The first relates to papers removed from our office by the agents of the Federal Trade Commission and which have not been returned; the second, to the publication in the Chicago

2256 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Labor News of a confidential salary list given to the Federal Trade Commission in our reply to their Schedule A last summer.

Understand that you will take both these matters up and secure proper attention for them.

Yours, respectfully,

WM. B. TRAYNOR

On April 29, 1918, I replied to Mr. Traynor, as follows:

APRIL 29, 1918.

Mr. WM. B. TRAYNOR,
Swift & Co., Chicago.

DEAR SIR: I have your favor of the 26th instant with inclosures, and in reply would say that on Saturday I took this up with Mr. Haycraft, who is in charge of the investigation now going on in my office, and he said whatever original papers had been taken by the examiners of the commission had been turned over to him, and that he was getting them together and intended to return them all shortly. I will call his attention to the correspondence which has been exchanged between the commission and Swift & Co.

Sincerely, yours,

Mr. HENEX. What was the date of the letter to me?

Mr. VEEDER. March 20, 1918.

Senator GRONNA. Have those documents or papers been returned?

Mr. VEEDER. They have not. On May 3, 1918, the secretary of Swift & Co., F. S. Hayward, wrote the secretary of the Federal Trade Commission as follows:

MAY 3, 1918.

Mr. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission,
Washington, D. C.

DEAR SIR: We received your letter of March 19 in which you advised that our complaint regarding the publication of certain confidential information would be immediately investigated.

As we have not heard from you in the meantime we take the liberty of inquiring what your investigation disclosed.

Yours, truly,

F. S. HAYWARD.

There was no answer to that letter. On June 11, 1918, Mr. Traynor again wrote me as follows:

JUNE 13, 1918.

Mr. HENRY VEEDER,
76 West Monroe Street, Chicago, Ill.

DEAR SIR: Referring to my letter of April 26, copy attached, and your reply of April 29:

I wrote Mr. Bracken on May 3, per copy herewith, but have received no reply. The other matter, namely, that of the original files, I understood you were to take up directly with Mr. Haycraft. Have you been able to get anywhere, and, if not, what if any action do you recommend on both matters?

Awaiting your reply,

Yours, respectfully,

WM. B. TRAYNOR

On June 13, 1918, I replied to Mr. Traynor as follows:

JUNE 13, 1918.

W. S. TRAYNOR, Esq.,
Swift & Co., Chicago.

DEAR SIR: Replying to your favor of the 11th instant. I would say that Mr. Haycraft informed me that he would himself take up the matter of the return of the original papers taken from the office of Swift & Co. and see that they were returned. That was while he was here two or three weeks ago. I have heard nothing since.

I would suggest that you write at this time a letter to Mr. Bracken, secretary of the commission, again calling his attention to all of the original papers taken and not returned, with the request that they be returned.

Sincerely yours,

On June 15, Mr. Hayward then wrote to Secretary Bracken as follows:

JUNE 15, 1918.

Mr. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission,
Washington, D. C.

DEAR SIR: I wrote you on February 22 and received your reply of March 5, as per copies attached. In the meantime this matter has been taken up here with Mr. Haycraft, who informed us that he would look into it upon his return to Washington and see that the original papers were sent back to us. They have not been sent back and I would request that you take steps to have them returned in accordance with the understanding with your agents, referred to in my letter of February 22.

Please reply.

Yours, respectfully,

F. S. HAYWARD.

On June 15, the same day, Mr. Traynor wrote me:

JUNE 15, 1918.

Mr. HENRY VEEDER,
76 West Monroe Street, Chicago, Ill.

DEAR SIR: I have your letter of June 13 regarding return of original papers taken by the Federal Trade Commission.

You do not cover the question of our complaint on the action of the Federal Trade Commission in giving up certain confidential information to the labor people. What is your advice, please, as to further procedure on this?

Awaiting your reply,

Yours, respectfully,

WM. B. TRAYNOR.

On June 17 I wrote to Mr. Traynor, as follows:

JUNE 17, 1918.

W. B. TRAYNOR, Esq.,
Swift & Co., Chicago.

DEAR SIR: I am unable to see that it will do us any good to follow up the complaint we made as to the disclosure to the labor people and papers of salaries paid. The information has been made public and the wrong done. The correction will not be given publicity.

The parties who gave out the information are subject to penalty, but that penalty will have to be enforced by the Federal Trade Commission and we know they will not enforce it, for there is no doubt that the information was given out, if not with their actual consent, at least with their tacit consent.

My opinion is that we might as well drop the matter.

Sincerely, yours,

We dropped the matter. We have never heard anything from them.

The CHAIRMAN. Gentlemen of the committee, the Interstate Commerce Commission was asked to send some one here to make a statement in regard to car facilities and I communicated with Commissioner McChord. Mr. McChord is now present. The suggestion was made by Mr. Esch, and my suggestion now is that Mr. Esch developed the matter along the lines he had in mind, as he is the author of the car service clause. Mr. Commissioner you may now take the stand, and may either be seated or stand as you prefer.

STATEMENT OF MR. C. C. McCHORD, INTERSTATE COMMERCE COMMISSIONER.

The CHAIRMAN. Mr. Esch, you may proceed.

Mr. Esch. I think it would be well to have a general statement made by the commissioner before we take up interrogatories. You have had a copy of the bill for examination, haven't you?

Mr. McCHORD. No, sir; I have not seen any of the bills except those pertaining to transportation.

Mr. Esch. I thought a copy of the bill had been sent you when the request was made for you to be heard.

Mr. McCHORD. Probably so, but if so it was doubtless referred to our legislative committee.

The CHAIRMAN. Of course, my communication was to the chairman of the Interstate Commerce Commission.

Mr. RAYBURN. I presume. Mr. Esch, the reason for calling the commissioner here was to have his ideas about the private car business.

The CHAIRMAN. And what he would suggest.

Mr. Esch. The transportation end of this proposed legislation was what I had in mind more particularly.

Mr. Commissioner, have you now a copy of the bill?

Mr. McCHORD. Yes. I have glanced it, and see in a general way what it is.

Mr. Esch. In its first sub-paragraph; on the first page, it goes on to provide:

The President of the United States is authorized—

(a) To acquire from time to time for the United States through such agents or agencies as he may designate such refrigerator cars and cars especially constructed or equipped for the transportation of live stock, or meats, or other products derived to hold or import from live stock or the slaughtering of live stock, which cars are owned or operated by others than railroads engaged in interstate commerce, as he deems fit for service and necessary and appropriate for the purposes of this act, together with such feeding stations, icing stations, car shops, and other adjuncts, appurtenances, and facilities as he may deem necessary or appropriate for their operations * * *.

Also it provides:

Together with such terminal and belt railroads, exchange buildings, rendering plants, serum plants, market-news services, and such other buildings, adjuncts and appurtenances as he may deem necessary or appropriate for the operation of stockyards, and facilities, etc.

That brings up, in the first instance, the primary question, as to whether it would not be the better policy for the railroads of the United States to own all cars used in interstate transportation.

Mr. McCHORD. Well, that is a question the commission has considered, and I think the privately owned as well as the railroad-owned cars, should be under the jurisdiction of some one governmental authority.

When the car investigation was started by the commission on its own motion in 1913, the case fell to me, and I started out on the theory that every private car line and every individual who owned a car and put it in the business of transportation was to that extent a common carrier.

We proceeded along that line for awhile, and finally we ran against a snag when we came to the investigation of the Armour car

line. We were endeavoring to make a thorough investigation and a thorough probe. We found that we could get the information only from the Armour car line themselves with respect to their affiliation with Armour & Co., in order to ascertain what their practices were. So we had a representative of the Armour car line on the stand and propounded a number of questions, seeking to go into their records, books, and correspondence; they demurred to that and challenged our authority.

So we went into court. I do not recall what the finding of the lower court was, but possibly for us, but the case went to the Supreme Court of the United States, and that court held that we did not have jurisdiction; that it was not a common carrier; and that we could not go into it as far as we were attempting.

At the same time the Federal Trade Commission was making a very exhausting investigation of this subject matter into which you are now inquiring, and having received this construction from the Supreme Court as to our power to go into these things, the commission abandoned that phase of it, knowing that the Federal Trade Commission was probing it thoroughly.

I might say that the Federal Trade Commission examined our records. They were public records of a coordinate branch of the Government, and we let them have access to everything we had, and doubtless they have presented these things to you.

Mr. Esch. They were not subject to the same limitations as to securing evidence that you were.

Mr. McCHORD. No; they had the right to go into that and they did it.

From information that came to us, verbally and otherwise, before we started the investigation, we were led to believe that there were a great many illegal practices in the operation of private cars. It was said that carriers were allowing certain shippers certain concessions and payments for the use of cars, and demurrage, and things of that sort. We found, after we had gone a little bit into it, that a good many private-car owners disposed of their holdings—sold their cars. The Armour Car Line disposed of its holdings, selling to Armour & Co., which was practically owned by Armour & Co., anyhow, as the Armour Car Line had been organized by them.

Before we got through we found that most of the complaints that had come to us had been pretty nearly cleared up. We had one complaint down on the Atlantic Coast Line, which was quite a serious complaint, from shippers of fruits and vegetables. They were not being given the service they ought to have had, and were given an inferior class of cars, and the service taken altogether was very poor. But after we went into it these shippers advised that better cars had been given them, and better service, and the situation had pretty well been adjusted before we handed down our report.

We found in this investigation of the private-car lines that the mileage they got, or some of them, out of the transportation of their cars was greater than others. The packers, for instance, have a superb organization, and also the owners of the private tank lines. I think one of the packers has something like 450 stations; that is, Swift & Co. and Armour & Co. probably have 400 stations; others also have stations. I am not sure about these figures and am speak-

ing from memory. These stations are scattered all over the country, and when cars come into the break-up yards, or for distribution, their men are there to shove them along and keep them going, and they get pretty good service.

Mr. Esch. Do you believe it is a sound principle of railroad management and operation that the railroads should themselves own all of their car equipment?

Mr. McChord. Why, it is, undoubtedly, the duty of the carrier to furnish cars. That is the duty under the common law and it is the duty to-day. We tried to require them in one instance—the Pennsylvania Railroad Co.—in the paraffin case, as you will recall——

Mr. Esch (interposing). That is the tank-car case?

Mr. McChord. Yes, sir. Where we undertook to make them furnish a certain kind of tank car, and the court held in that case that we did not have power.

Mr. Esch. Would there be as efficient operation of refrigerator cars if owned and operated by the railroads as is now the case where they are owned by the packing companies?

Mr. McChord. Why, if the same effort were made by the carriers, if they had the same organizations, with the same incentive, and would push everybody's car along as fast as the individual car line with its own employees pushes its cars along, of course, the same service could be rendered. But whether that would be done or not to be problematical.

Mr. Esch. The contention is, of course, that it would not be done, and hence that is the basis for their clamor that they should be allowed to retain their own private refrigerator cars; that is one of the problems presented to this committee.

Mr. McChord. Yes; they undoubtedly get good service and give good service.

Mr. Esch. Railroad companies, of course, have thousands of refrigerator cars owned by themselves?

Mr. McChord. Yes, sir.

Mr. Esch. And are used in the packing business oftentimes in relation with the packer-owned cars?

Mr. McChord. Yes.

Mr. Esch. They claim that they can get more mileage out of their own cars than if operated and owned by the railroad companies. What would be your conclusion in regard to that?

Mr. McChord. Why, my recollection is that two packers, at least, and maybe more, get more mileage out of their cars than the railroad gets out of the cars owned by it.

Mr. Esch. Your report on private car lines of last July has some statistics referring to that?

Mr. McChord. Yes.

Mr. Esch. There has been quite a lot of testimony presented here that they got increased mileage out of cars owned by the packers. Now, if they get increased mileage where they own and operate their own cars, over cars owned and operated by the railroad companies, would it, in your judgment, be a wise thing to permit them to retain that ownership and operation of their cars?

Mr. McChord. Well, I think there ought to be some standard regulation for both. If you take cars owned by thoroughly organized

and well-equipped shippers, who are in a position to meet their cars wherever they go and push them along, they certainly get good service, and if you take the man who has not that organization, nor those facilities, he could hardly compete with the others so far as transportation is concerned.

Mr. Esch. Well, that would be discrimination, then, against, say the small packer, who did not have the money to buy certain equipment, his own equipment.

Mr. McChord. If it is done by railroads it is, but if the packer, with his own organization, or any other shipper with his organization, has his own men on the ground to shove their cars along through the terminals—and there are various ways of doing that. Cars get into the yards and these men call the attention of the yardmaster to the fact that here is a car of fresh meat out here, or of vegetables, or something that needs moving, and he will probably move it. At the same time there may be somebody else's car of fresh meat, or of vegetables, somewhere else in the yards, that does not get that attention. It is not the railroad itself, but it is the organization of the shipper by reason of this splendid organization he has that enables him to get this service.

Mr. Esch. That would result in really a discrimination of service.

Mr. McChord. Yes.

Mr. Esch. Would it be a discrimination on the part of the common carrier?

Mr. McChord. Well, it would be pretty hard to establish such a case as I have illustrated against the common carrier. It would no doubt say it is moving the freight as it comes along, and it is doing that. But if the yardmaster's attention is called to these two cars here, and he only knows from his records in the regular routine of business that he will get to those cars when he can go down the line and instruct his men, of course there is the situation. But if his attention is called to that, and he is induced to switch those cars out and send them along, why of course the shipper who succeeds in doing that is getting a preference.

Mr. Esch. This bill contemplates giving the President power to commandeer the refrigerator cars of the United States and make them in a form of Government monopoly. Have you any opinion to express with reference to the desirability of such legislation?

Mr. McChord. Why, not this specific legislation, because I have not studied it, and I think no man who undertakes to give an opinion to a body like this on a subject like this, could give a safe opinion without studying the bill, and that he ought to be very careful in what he says. I can only say that I do not like monopolies of any kind.

Mr. Esch. If the Government took over these refrigerator cars, and at the same time left the other refrigerator cars now owned by the railroads in the hands of the railroads, would that raise a conflict of service or a confusion of administration, that might result in more damage than it would do good?

Mr. McChord. It might result in the same difficulty, if it is a difficulty, that we have by reason of the ownership by shippers who are equipped to get service. In the case of the Government, the Government would be in position to command the service, and it might be to the detriment of the railroad-owned car. I think there ought to

be some standard, and the same standard of regulation for all. If the Government took them over, what could it do except to distribute in a fair and just way? My recollection is that under your car-service bill, and under the recent bill that you have introduced, that you are undertaking to extend that power to the Interstate Commerce Commission.

Mr. ESCH. Yes.

Mr. McCHORD. But wherever the power goes, I think the same standard should apply to all.

Mr. ESCH. Whether Government-owned or owned by the carrier.

Mr. McCHORD. I think so.

Mr. ESCH. Or owned by the private individual.

Mr. McCHORD. I think so.

Mr. ESCH. But there might be some difficulty if they were left in these separate ownerships?

Mr. McCHORD. Yes; unless you make the car lines common carriers and put them in the same category as the railroads.

Mr. ESCH. You think they should be common carriers.

Mr. McCHORD. I think so. I was proceeding on that idea in this case—to make the same rules and regulations apply to them as would apply to common carriers.

Mr. ESCH. The Pullman Co. is a common carrier, isn't it?

Mr. McCHORD. Yes.

Mr. ESCH. Express companies do not own their cars, but they are considered common carriers?

Mr. McCHORD. Yes; and so are the telephone and telegraph companies.

Mr. ESCH. The Government now, under the Federal control, is furnishing to the carriers Government-owned cars, is it not?

Mr. McCHORD. I think it is attempting to do that. I think the carriers in a great many instances, however, have refused to take them.

Mr. ESCH. I understand that there have been a little over 15,000 deliveries of freight cars under Federal control out of a possible hundred thousand that have been ordered.

Mr. McCHORD. Yes.

Mr. ESCH. And something like 774 locomotives so far delivered under the orders of the Federal control.

Mr. McCHORD. I do not know. I did not know there had been that many.

Mr. ESCH. They are put into service, but must be accepted by each common carrier, who assumes financial obligation for repayment to the Government.

Mr. McCHORD. That is the way I understand it.

Mr. ESCH. Do you say some of the carriers have refused to accept their allotments?

Mr. McCHORD. That is my understanding of Mr. McAdoo's testimony before the Senate committee—that they had refused.

Mr. ESCH. I wondered if the experience of the Government in the matter of constructed and owned cars under Federal control might not be extended if the provisions of this bill become law.

Mr. McCHORD. Yes.

Mr. Esch. Was the reason for private-owned cars—refrigerator, tank, and others—due in the first instance to lack of financial ability on the part of the carriers to supply them?

Mr. McCHORD. Undoubtedly so.

In the early history of railroading—about 1832—in this country the carrier furnished the roadbed and the engine and the shipper, or the man who owned the stagecoach, the other service—the vehicle; the shipper, his wagon, and the owner of the stagecoach his stagecoach, and they put wheels on those vehicles with flanges on the wheels, and they went along and carried passengers and freight.

Now, I think that condition obtained up until about 1845, when the carriers forged to the front as regards earnings, and they took over themselves the furnishing of cars and vehicles of transportation. That went along pretty well until after the Civil War, when the railroads were in pretty hard plight, and they could not get up enough money to buy necessary equipment. After the war was over industries were beginning to spring up, and they needed better transportation facilities and more equipment, and the railroads could not furnish it, so the shippers themselves proposed that they would build cars and put them on the railroads, and that system has just grown up by process of evolution.

I think to-day we have over 200,000 private cars, of which something over 100,000 are refrigerator cars, and more than half of these, I believe, are owned by private concerns. We have in all something like 2,600,000 freight cars.

Mr. Esch. The contention here on the part of the packers is that they operate refrigerator cars at a loss. In your investigation, did you find that that statement was confirmed?

Mr. McCHORD. We have some figures here about a comparison of earnings, the cost of repairs, etc. I have not examined this statement recently, but it is all in this report which I have in my hand. Take, for instance, on page 713 of the private-car report, the case of Morris & Co. In 1913 they had 2,268 private cars. That included tank, refrigerator, and other cars. The total investment in those cars is put at \$2,290,930. The mileage earnings were shown as \$498,307, while repairs amounted to \$260,266, and depreciation \$114,547, the total for repairs and depreciation being \$374,813. I thought this was a loss, but I see a notation here that "figures in italics show excess of earnings"; the comparison here shows that there were earnings.

Mr. Esch. The other packers have contended that they were not making money out of these cars as far as they were concerned, but they wanted them because of the added facilities which would be given to them in the operation of their business.

Mr. McCHORD. I think that is a good deal true. We increased the mileage rate from three-fourths of a cent to 1 cent, where it was out of line.

Mr. Esch. That, however, was only since July, since your decision was rendered.

Mr. McCHORD. Yes, sir; and it is not reflected in these figures.

Mr. Esch. Do you think that that increase would permit them to come out even or make a profit?

Mr. McCHORD. I do not think so. My recollection is that the packers were getting 1 cent, though I am not sure about that, but

think that is so. I think it was a line west of El Paso and through Albuquerque and on to Ogden and Salt Lake and west of that where they were only getting three-fourths of a cent. And we increased that rate.

Mr. ESCH. If the Government owned the cars, took them over, it would certainly not permit them to be operated at a deficit. It would therefore insist upon an increased rate for their use, would it not?

Mr. McCHORD. Well, that would depend upon the governmental policy, if it was run for a profit. Of course, if it was not being self-supporting, not a paying institution, the Government would have to make it up, and I should think the Government would require that it be a paying institution.

Mr. ESCH. If they made it up, it would have to be made up out of taxation?

Mr. McCHORD. Yes; and that would be the same thing. It would come out of the people at last.

Mr. ESCH. The bill also contemplates giving to the President the power to take over the terminal and belt railroads. Assume that that was a case in Chicago, where they have stockyard railroads and belt and terminal railroads, but at the same time suppose that we did not give Government ownership of the trunk lines or any railroad line, then we would have operating in Chicago districts Government-owned lines doing business with privately owned lines. Would that involve any administrative difficulties?

Mr. McCHORD. Well, if the Government or anybody else owned the terminals and had control of the cars, they have pretty near got the railroads.

Mr. ESCH. Pretty nearly got what?

Mr. McCHORD. Pretty nearly got the railroads, because you might carry freight across the country as far as you like, but if when you get to town you can not get in or through, you have accomplished very little. To control the terminals and the cars is pretty nearly controlling the railroad itself. And then you would have dual operation; the line haul by the individual carrier and the terminals by the Government. I do not know just what complications would arise from that situation, but undoubtedly some would arise where you have dual operation.

Mr. ESCH. Those evils of dual operation would necessarily follow if the President exercises the power sought to be granted by this bill and took over the belt and terminal railroads.

Mr. McCHORD. Whatever evil, if there is evil in it, would be there, of course.

The CHAIRMAN. Let me see if I understand the bill correctly. I do not understand that the bill authorizes the Government to take over the belt-line and terminal railroads except where it takes over the stockyards in connection with which they are operated.

Mr. ESCH. He is given this power:

All stockyards at which the receipts of live stock during the calendar year 1917 exceeded 500,000 head, together with such terminal and belt railroads, exchange buildings, rendering plants, serum plants, market news services, and such other buildings, adjuncts, and appurtenances as he may deem necessary or appropriate for the operation of such stockyards and facilities, and for the operation of competitive live-stock markets.

The CHAIRMAN. If he did not take over stockyards, the bill does not contemplate taking over the belt-line and terminal railroads connected with stockyards.

Mr. McCHORD. I was going to ask, did it contemplate taking over all terminals or only belt lines as a part of stockyards?

Mr. ESCH. Yes; the belt line and terminal at Chicago, for instance. By doing that even, it would give to the Government control, as you say, practically over the line haul of the trunk-line railroads that connect there.

Mr. McCHORD. Well, when I made that statement I had in mind that the Government would take over all terminals of that one city as well as the terminal serving the stockyards.

Mr. ESCH. Well, of course, we were referring merely to the bill in hand and the subject matter covered by it. But, if it were general, these complications would arise in practically all the large cities in the United States.

Mr. McCHORD. Yes; and it would be the same difficulty, whatever it is.

Mr. ESCH. Kansas City, for instance, and in Omaha, and in St. Paul.

Mr. McCHORD. Yes.

Mr. ESCH. You would conclude, would you, that such dual ownership would result in some complications?

Mr. McCHORD. Well, we found that the dual ownership of these cars, ownership by the railroads and by private parties—we found that by reason of individual initiative, individual effort, made by the owners of cars, that he got better service out of his cars than the railroads get, or were getting better service than the owner who did not have the spur about getting his cars along, pushing them along, that his competitor had.

Mr. ESCH. Can you ever get out of Government-owned and operated cars that spur which the private ownership now affords?

Mr. McCHORD. I have never thought so.

Mr. ESCH. You have never thought so?

Mr. McCHORD. I have never thought so. I may be wrong about that, but I believe, in this country, that it is the best thing to have private ownership with most rigid and drastic regulation vested somewhere. In that connection I have a statement made by the commission—we considered the question pretty thoroughly—and after considerable deliberation we prepared a paper and sent it up to the Senate committee by one of our commissioners; it was concurred in by eight commissioners, Commissioner Woolley alone dissenting. I have both of these here.

Mr. ESCH. I do not think that has ever been printed in our hearings.

The CHAIRMAN. That is a railroad matter, and we contemplate printing it when we get to the railroads.

Mr. ESCH. It has not been in our hearing.

Mr. SWEET. It is printed as a part of the Senate hearings?

Mr. ESCH. Yes.

Mr. HAMILTON. Do you intend entering upon that information now?

Mr. ESCH. No; but when we come to consider the railroad situation.

The CHAIRMAN. That is not in connection with the meat-packing industry.

Mr. ESCH. No.

Now, Mr. McChord, another paragraph of this bill is this:

(e) To operate for the United States, as common carriers, through such agency or agencies as he may designate, all stock cars, refrigerator cars, and specially equipped cars acquired for the United States under the provisions of this act.

That might contemplate giving that to an agency other than the Interstate Commerce Commission, might it not?

Mr. McCHORD. Oh, yes.

Mr. ESCH. Then you would have two agencies in the Government dealing with two subjects matter quite similar, namely, transportation.

Mr. McCHORD. That is undoubtedly so. We found that in this case here, and all along, that we had four legislative bodies tinkering with transportation. We had Mr. Garfield, Mr. Hoover, Mr. Lovett, and the Interstate Commerce Commission, all having something to do with transportation.

Mr. ESCH. That is what led up to the congestion in the fall of 1917.

Mr. McCHORD. Well, I think that helped to do it. I think it helped to bring it about.

Mr. ESCH. You mean to add to the congestion?

Mr. McCHORD. Yes, sir. I have said so in my report to Congress.

Mr. ESCH. So that your idea would be that all transportation matters should be left in the hands of one agency.

Mr. McCHORD. I think so.

Mr. ESCH. For prompt and expeditious administration.

Mr. McCHORD. I have always thought so. Whatever agency it is, I think it ought to be one agency.

Mr. HAMILTON. The element of expense would also enter into that, wouldn't it?

Mr. McCHORD. Yes.

Mr. HAMILTON. The more agencies you have, the more taxes the people would be called upon to pay, wouldn't they?

Mr. McCHORD. Oh, yes.

Mr. ESCH. If the Government owned the refrigerator cars, and those cars are to give as good service, as expeditious service, as they now give where operated by the packers themselves, you must pay more money for administration, put more money into the work of administration in order to get like results, must you not?

Mr. McCHORD. Well, I do not know that that would necessarily follow. If the railroad organization were as efficient, and it ought to be under proper supervision, this freight ought to be expedited: that is, perishable freight would not be delayed or ought not to be delayed.

Mr. ESCH. Do you think there is sufficient law now for the Interstate Commerce Commission to compel the packers, as well as all other concerns owning refrigerator cars, to give prompt and non-discriminatory service?

Mr. McCHORD. I do not think so.

Mr. ESCH. In what is there a lack?

Mr. McCHORD. Put the owners of cars on the same footing as the railroads, as a common carrier, and subject to the jurisdiction of the

Commission, just like the cars of a railroad are. I mean that the owners' cars should be in the same position as the railroad's cars.

Mr. ESCH. You think, then, there should be legislation making the car a common carrier?

Mr. McCHORD. I think so.

The CHAIRMAN. You mean the private-car owner?

Mr. SANDERS. No; he means the car.

Mr. McCHORD. Well, the car is subject to jurisdiction now, but as to the car line, or the car owner, and especially the owner who rents his car. I was proceeding on the idea that the individual owner or renter should be under that jurisdiction, treated as a common carrier, and subject to all of the laws that govern common carriers where he engages in that business. But the Supreme Court in the Ellis case, in the progress of this hearing here, decided that under the present law he was not a common carrier, and we did not have jurisdiction of the matter.

Mr. ESCH. It is your opinion that that should be done.

Mr. McCHORD. I think so.

Mr. ESCH. Would you suggest to the committee as a part of your hearing the appropriate amendment to the interstate-commerce act, or of the car-service act, to carry that into effect?

Mr. McCHORD. I will be very glad to try, if the committee would like for me to do it.

Mr. ESCH. Well, I know of no one more experienced along that line.

The CHAIRMAN. The committee would certainly like to have any amendment you may suggest.

Mr. McCHORD. Do you mean to this bill?

Mr. ESCH. Oh, no; just generally. I suppose it will probably come as an amendment to the interstate-commerce act.

Mr. McCHORD. All right.

Mr. ESCH. You feel that if you were given that power, as the result of making the car a common carrier, some of the evils now complained against would be obviated?

Mr. McCHORD. I think we could reach some of the evils, if they exist, where we can not under the present law. I think there could be a standard of regulation for all devised that would be perhaps better than the present situation. We hesitated, and we said so in this report, about interfering with the present adjustment of the ownership of these private cars. We were right in the midst of war, and we had these other legislative bodies doing something with transportation; so we said, in the circumstances and with the record as we found it, we deemed it unwise at the time to disturb matters; but we did lay down the proposition that primarily it is the duty of the carrier to furnish cars, both under the common law and otherwise. But they do not do that, and we do not have the power to make them do that. The court said we did not have the power, and the next best thing that has been devised was the private car, and I think that they should be regulated just like the railroad-owned car and all treated alike.

Mr. ESCH. If that were true, then you could expedite the movement of the privately owned car as well as the packers expedite the movement of their cars.

Mr. McCHORD. Well, I do not know about that. We could at least endeavor to prevent discrimination, and the carrier that discriminated would be liable. As to how much push could be put behind it to expedite the movement of the car, as the packers do with their cars, I do not know; that would be a matter of the make-up of the organization by the railroads.

Mr. ESCH. There has been considerable testimony before this committee in regard to the great advantage given to the large packers through the ownership of these refrigerator cars, and if they ship in such cars only a small amount of beef that needs refrigeration and then fill up the car with nonperishable products which they themselves manufacture, that it gives them an advantage. Have such complaints been brought to the attention of the commission?

Mr. McCHORD. Do you mean mixed cars?

Mr. ESCH. Yes; mixed contents.

Mr. McCHORD. Yes; we had something on that in this case. On page 707 of our report in the matter of private cars we go at some length into the matter of mixing.

Mr. ESCH. You say it is not uniform.

Mr. McCHORD. No; it is not at all uniform. We found, as far as we went there, that they had so many rules, and we said it is perfectly clear that with the making of so many rules applicable to shipments from one source complicates the billing and renders a little difficult the matter of adjusting the charges to be applied to each mixture. We further stated, "It is not plainly established on record whether the mixing rules in this territory operate to discriminate unduly against any particular shipper or shippers or any particular description of traffic." It was suggested on the record that such discrimination was possible under the rules.

Mr. ESCH. Now, as the result of your investigation of private cars, as shown on page 707, has it led you to believe that there should be some amendatory legislation to prevent discrimination, of which there has been so much complaint on the part of wholesalers and jobbers in the United States?

Mr. McCHORD. I think so. I think the matter of mixtures can be regulated.

Mr. ESCH. Do you think they ought to be regulated, in view of the complaints before this committee?

Mr. McCHORD. I think so.

Mr. ESCH. Would you suggest an amendment to the interstate commerce act whereby that discrimination can be eliminated?

Mr. McCHORD. I will be very glad to consider it.

Mr. ESCH. Would the making of the privately owned car a common carrier in large part meet that question as to mixed shipments?

Mr. McCHORD. I think so, but not unless you want to put a penalty to it that would apply to the owner of the car.

Mr. ESCH. Do you think it would be well to have both amendments, in order fully to cover the situation, with a penalty?

Mr. McCHORD. Yes, sir; I think so. A law without a penalty does not amount to much.

Mr. ESCH. Another complaint that has been presented to me is that they would only ship a very small amount of meat products, for instance, or perishable products, and then fill up a car with

perishable products, and thus get their products to the consumer; not at a cheaper rate perhaps, but more expeditiously than the average shipper can do so. Has that complaint been brought to your attention?

Mr. McCHORD. We did not find much of that; no. We had some reference to it, but we did not find a great deal about that in our investigation.

Mr. Esch. They complained to us that they could not get such advantages, and hence they could not meet the competition of the packers who dealt in like lines of goods, and that the packers were now covering pretty nearly the whole field of foods, while they were being put out of business.

Mr. McCHORD. In other words, the wholesale grocer could not compete with the packer who got his same freight delivered to his customers first.

Mr. Esch. That is it.

Mr. McCHORD. Yes; we had that suggested.

Mr. Esch. You think that these two amendments we have referred to might meet that line of complaint?

Mr. McCHORD. I think so.

Mr. Esch. Mr. Chairman, I will be glad to have any other member of the committee inject an interrogation during my cross-examination.

Mr. RAYBURN. I would like to ask a question there.

Mr. Esch. Go ahead.

Mr. RAYBURN. Mr. McChord, they complained, as Mr. Esch says here, that the average wholesale grocer could not meet the competition of the packers, because he could not expedite the delivery of goods to his trade. If these privately owned cars were made common carriers, wouldn't that put him practically on an equal footing with the packer; that even though the packer owned the car that the wholesale grocer could tender his goods to the packer and he would have to take it, being a common carrier.

Mr. McCHORD. Well, they would both be common carriers—those owned by the railroads and those owned by the packers.

Mr. RAYBURN. That is what I say. The packer has his car and uses it in his business and looks after it and tries to have it brought back so he may use it again.

Mr. McCHORD. Yes, sir.

Mr. RAYBURN. And the man who does not own cars complains because railroad-owned cars do not come to him like packer-owned cars come to them? If packer-owned cars were made common carriers, the wholesale grocer could tender his goods to the packer, and he would have to take them the same as any goods.

Mr. McCHORD. No; unless the packer held himself out as a carrier of goods for hire, and the owner likewise held himself out to handle groceries along with fresh meat, he would have to let anybody who had groceries to ship put them in.

Mr. RAYBURN. That is what I mean.

Mr. McCHORD. But, as I say, we did not find a great deal of that in our investigation.

Mr. RAYBURN. I have personally had considerable complaint along that line from jobbers and wholesalers.

Mr. McCHORD. Well, the subject was suggested to us.

The CHAIRMAN. Now, I understand you, Mr. McChord, in your first statement to say that one of the remedies would be to make all privately owned cars, or all private car owners, common carriers.

Mr. McCHORD. Yes.

The CHAIRMAN. And subject to regulation.

Mr. McCHORD. Yes.

The CHAIRMAN. Do you mean, in saying "subject to regulation," that the Interstate Commerce Commission should have power to regulate the operation of private cars, loading and unloading, and all that sort of thing, so as to prevent them being given favorable discrimination by railroad companies, another common carrier? (Or did you mean that they were to be open to any shipper of like products requiring a like refrigeration for his goods?

Mr. McCHORD. No; the desirability of the latter is questionable. I do not think you would want to go that far. I had the idea that whatever governmental authority was given jurisdiction it should be exclusive; that there ought to be a standardization of this authority, and it should operate on all alike.

The CHAIRMAN. That is, as to the movement of these cars.

Mr. McCHORD. Yes; and also the rental charge and mileage for the car, which should be uniform.

The CHAIRMAN. But what inducement would there be for a man to own private cars for his own business if everybody who didn't own them had equal service and upon equal terms in the use of these private cars?

Mr. McCHORD. I do not think there would be any.

The CHAIRMAN. Well, I was anxious to see what you thought about that. Then any inducement for a packer to look after his own private cars would absolutely cease to exist?

Mr. McCHORD. In that case the incentive would be lost.

The CHAIRMAN. And the packers, of course, would oppose any legislation of that kind—that they should furnish at their own risk and cost facilities that others do not furnish and then get no advantage out of furnishing those facilities over competitors in the same business.

Mr. McCHORD. I think the same thing holds true as to any shipper, whether packer or who.

The CHAIRMAN. That is what struck me—that if we make them common carriers we could not make them common carriers in the same sense that we have the oil pipe lines, because there we could force the owner of a pipe line to receive oil from anybody who offered it; but in this case I can not see where the packers would have any use for private cars if they did not get any advantage by reason of such ownership.

Mr. McCHORD. Yes.

The CHAIRMAN. And they made the claim in this hearing, and it seems to be generally admitted, that they operate private cars at a loss to themselves so far as that particular operation is concerned.

Mr. McCHORD. I think that is true.

The CHAIRMAN. It must be made up by them from other lines of business.

Mr. McCHORD. That is right.

The CHAIRMAN. And the man who does not own private cars, or does not have these other lines of business, can not possibly hope to

compete economically on the same terms with companies who are able and do own such private cars and accept the loss that goes with them.

Mr. McCHORD. Oh, no; it is just a case of the survival of the fittest. Any shipper with an organization that expedites his cars and gets them through first has an advantage.

The CHAIRMAN. That is what I wanted to get clear before the committee, just what I thought you meant. That it can not handle the regulation of packer-owned cars in the sense that you regulate other common carriers performing similar service to the extent that you would not open them up to anybody to ship in these cars.

Mr. McCHORD. Any shipper who has a car, either by ownership or lease, has the right to its exclusive use, in the loading and transportation of his freight, subject to the carrier's tariff rules and charges, and these must be just and reasonable.

Mr. STEPHENS. Mr. McChord, the complaint of the wholesalers who have appeared before the committee has been specifically directed to the fact that the packers are enabled to have their meat cars go out regularly, almost upon passenger schedule every day, so that on a line of railroad they can serve every town during that day with their meats, and that they serve also the grocery trade with their canned goods at the same time, whereas the wholesaler sends out his stuff, perishable or not, in way cars, which arrive at their destination anywhere from three to five days, or from one to five days afterwards. The complaint was that these packers are able to get the service from the railroads in a discriminatory way; that they could get cooperation from the general manager or the superintendent of the railroad, who directs the transportation, so that they were able to get this service, whereas the wholesaler would take pot-luck chance with his shipment, and because of the slowness of delivery there would be discrimination that would drive him out of business. Is there any way that you can suggest whereby a railroad company could be compelled to give the same service to the wholesalers that it gives to the packers in the matter of delivery of cars on the same schedule of time?

Mr. McCHORD. Well, you might require them to do that, but suppose a railroad did not have refrigerator cars, and had only ordinary freight cars, that go in the ordinary freight train; that a railroad was not equipped to give this expedited service, then, in order to do it, it must acquire the cars or equip itself with the cars, if it is going to serve the man who does not own such cars.

The CHAIRMAN. And force the railroads to perform the service at a loss in view of the experience of the private packer owned cars, who now suffer a loss in operating their own cars, which would likely be the lot of the railroad if it gave like service.

Mr. McCHORD. Yes, sir.

Mr. STEPHENS. Well, then, Mr. McChord, if these wholesalers are correct in what they have said, they are going to be driven out of business, and it looks to me like that is correct. If that is true, somebody ought to find a solution of that difficulty: either your commission or Congress ought to find some way or other to compel the railroad companies to render the same service to all alike who do business over their lines. You have no remedy for that condition?

Mr. McCHORD. Well, I think so. I think it is the carrier's duty to do that. We found an illustration in this report here of the owner

of a private car—or rather of a private car that was run all around Robin Hood’s barn before it ever got anywhere, and was out for six months. Here, on page 691 of the report, we found that—

Because of their superior organization and their ability to give carriers tonnage, the leading packers of the country have been able to secure better use of their cars than some of their competitors. These great shippers of perishable articles have used to the fullest extent their splendidly effective organizations to secure prompt service for their cars used in shipments of their products. Smaller competitors who have not, and can not afford to have, such organizations have secured very much less efficient service from the private cars they own or control.

An Iowa packer who leased 20 cars for shipment of carcass meat in 1917 gave the operation of six of his cars as follows :

Shipped.	Days held.	Rental per car.	Earnings.
June 27, 1917.....	177	\$116.46	\$16.34
July 19, 1917.....	149	98.04	32.17
Sept. 12, 1917.....	68	44.94	14.34
Sept. 16, 1917.....	106	69.75	37.35
Sept. 19, 1917.....	101	66.45	51.36
Sept. 21, 1917.....	111	73.04	36.34
Total.....		468.68	194.96

It will be noted that the first car was not returned to him for nearly six months. A representative of this packer testified that this car and other cars were not tied up in congested terminals, but were in use for the various periods shown by carriers in hauling traffic for others. He stated that it was impossible to get his cars returned in any reasonable time.

A small packer at Birmingham, Ala., attempted to ship carcass meat to the Northeast, including such points as New York, Boston, and Pittsburgh, Pa. An exhibit filed by him shows that cars were not returned to him within 15 days from any point north of the Ohio River, and that they were detained for periods ranging on the average about 30 days, some being held for 66 to 90 days.

There was the owner of private cars who was engaged in the business, and that is given as an illustration of what happens when you haven’t got somebody right back of a car to look after it. It is my notion and information that the situation is about like this: If I had a car that is sent from Louisville to Washington, and have a friend in Louisville who will get behind that car and trace it from the time it starts and report on it, it will get here much sooner than a car which is not given that attention. Now, that is the way the packers operate their cars.

Mr. STEPHENS. Ought that condition to prevail on the part of common carriers?

Mr. McCHORD. I do not think so.

Mr. STEPHENS. It is certainly the duty of the carrier to render that service.

Mr. McCHORD. Undoubtedly.

Mr. STEPHENS. And not the duty of the shipper.

Mr. McCHORD. Undoubtedly.

Mr. DOREMUS. I would like to ask Mr. Esch, have you questioned Mr. McChord for the purpose of getting his view as to operating privately equipped cars on railroads?

Mr. ESCH. We started in on that, but if you have any questions along that line, I would be glad to have you ask Mr. McChord about that matter.

Mr. DOREMUS. I wanted to know about that.

Mr. McCHORD. Whether a railroad ought to own and furnish these cars or the shipper own them?

Mr. DOREMUS. And whether private ownership of these specially equipped cars should be divested and all operated by the railroads.

Mr. McCHORD. Well, as I have said, of course under the law it is primarily the duty of a carrier to furnish equipment; but in the evolution of the railroad business we know how the private-car ownership came about. In the investigation we had here we found that the requirements were so great that there were of these cars over 200,000, worth \$250,000,000 or more, and we have a great many railroads that claim they are not able to buy this special equipment—and, no doubt, that is so—because, they say, they are not able to equip themselves with the ordinary run of cars. Then, the war was on, and we found that with these other departments of the Government having to do with transportation, on the whole, and as the record had disclosed to us, and in view of the abnormal times, there was no reason why they should not continue to lease these cars, for the time being, at least, until some other plan could be devised.

Mr. DOREMUS. It seems to be admitted that the five big packers have been able to secure a higher degree of efficiency through the instrumentality of these specially equipped cars. I think that is conceded, is it not?

Mr. McCHORD. I think so.

Mr. DOREMUS. Supposing all the specially equipped cars were owned and operated by the railroads, would it be possible for the Interstate Commerce Commission to be clothed with the power to secure for the general trade, including the five big packers, the independent packers, and the whole grocery trade, the same degree of efficiency that the five big packers now obtain through their privately owned cars?

Mr. McCHORD. It is not like the distribution of coal cars, where you can find the output of a mine and then sum them up, as to the output, so many mines in a district, count your cars, and distribute your cars prorata. In this business, which is much more speculative, there is the question of making a market. I do not think anybody could get the same efficiency out of a car that the man who loads his own freight into it and gets behind it and sees after it and pushes it to destination gets, unless he did likewise.

Mr. DEWALT. Mr. Esch, there was some testimony here in regard to rebates as obtained by the packers by reason of their being engaged in other corporate interests. Will you be kind enough to examine Mr. McChord to learn if he found anything of that kind?

Mr. ESCH. I will be very glad to have you examine him.

Mr. McCHORD. That is what we tried to do in the case we had that went to the Supreme Court. We tried to get into the Armour car-line records to ascertain whether that was true or not and to find some other information that we wanted. The Supreme Court held that we did not have the power to go into that; that it was not a common carrier and was beyond our jurisdiction. We found nothing of that sort, however.

Mr. DEWALT. Right along that line, Mr. McChord, in the testimony of one of the witnesses here, he refers specifically to one packing industry owning a majority of the stock in what is called a bumping-

post corporation, and also that the same packing industry owned and controlled the majority of the stock in a brass-finding company, in journal boxes, etc.; and some witness said that these packing industries, in his opinion, were able to go to the railroad companies and demand of them that they should buy a large quantity of these bumping posts and similarly large quantities of these journal boxes, and that the prices thus obtained would really operate as a discrimination in their favor in the matter of freight rates. In your investigation did you find anything of that kind, or was there any complaint of that kind?

Mr. McCHORD. No; we did not.

Mr. DEWALT. Did you investigate along that line?

Mr. McCHORD. We started out, but, as I say, we were halted by the courts, and we knew that the Federal Trade Commission was proceeding very actively along this line, and we did not any further with it, but confined ourselves simply to the transportation question.

Mr. DEWALT. So far as your investigation was able to disclose, nothing of that kind is now being done?

Mr. McCHORD. No; nothing that we could find.

Mr. PARKER of New Jersey. Mr. McChord, I find on page 691 of your report a statement that—

An Iowa packer who leased 20 cars for shipment of carcass meat in 1917 gave the operation of six of his cars as follows * * *

And the data given indicates that he did not get them back for several months, during which time they were being used by the railroads in other business.

Mr. McCHORD. Yes.

Mr. PARKER of New Jersey. Of course that was unlawful. I would like to know whether the Interstate Commerce Commission have any power to impose what is analagous to a demurrage charge upon a railroad for keeping a car over a certain length of time.

Mr. McCHORD. Oh, yes. That demurrage charge applies everywhere.

Mr. PARKER of New Jersey. Couldn't you charge a railroad for not returning a car within 10 days?

Mr. McCHORD. This man had a cause of action against the railroad for damages, but he did not bring it to us.

Mr. PARKER of New Jersey. That is true, but could not the regulations of the commission provide a reasonable time for the payment of demurrage by a railroad after which it should pay a shipper a certain amount of money for longer delay?

Mr. McCHORD. Reciprocal demurrage has been in operation in some sections with good results.

Mr. PARKER of New Jersey. That would meet that trouble.

Mr. McCHORD. It might.

Mr. PARKER of New Jersey. And would it insure prompt delivery of cars, of private cars, whether a man shipped many or few, and whether he watches them or not, by simply putting that penalty on a railroad for delay?

Mr. McCHORD. It might have that tendency.

Mr. PARKER of New Jersey. Am I right in thinking that it has been recently held lawful by the Supreme Court for a forwarding company to ship by carloads and to obtain goods in small quantities

from various people so as to charge them a less rate than would be the case for individual shipments? My recollection is that these forwarding companies were held perfectly lawful if they shipped by carloads.

Mr. McCHORD. Yes.

Mr. PARKER of New Jersey. Then the individual wholesale grocer, by joining into a union of that kind, could secure the use of cars to ship by the carload, in the same way that the packers do, by combining their forces.

Mr. McCHORD. Undoubtedly so. Or any number of individuals, or any individual, could do it if he has the money.

Mr. PARKER of New Jersey. There was some complaint made by wholesale grocers that the rate charged to them for a private car, for cheese and other perishable goods, as to the minimum and maximum loads that were prescribed for their cars were different from the rates and minimums and maximums of the packers for their meat cars; that is, that it was not so favorable to them. Isn't that also a matter in which regulation as to maximum or minimum, or the amount charged for the car, is in the hands of the Interstate Commerce Commission now?

Mr. McCHORD. That is true.

Mr. PARKER of New Jersey. So far as the car itself is concerned, take the peddler car which is shipped by a packer carrying some meat and some other things, the rate for the hauling of such a car can be prescribed by the Interstate Commerce Commission. Those rates can be raised, if necessary, so as to make it fair to everybody for a like service.

Mr. McCHORD. Yes.

Mr. PARKER of New Jersey. I would like to know, and it probably may be in your report, but I do not know it for I have not gone through it, if there are a great many lines of private cars, and I have seen the Red Line, and the White Line, and this and that line.

Mr. McCHORD. We have a list of them here.

Mr. PARKER of New Jersey. Do the express companies own their cars, or did they at the time the Government took over control?

Mr. McCHORD. I do not think so. I do not think the express companies own any, or at most but few, of their cars.

Mr. PARKER of New Jersey. Do they have exclusive rights in those cars? I notice the names of express companies on the outside of cars.

Mr. McCHORD. Yes; the express companies, I believe, had leased some cars.

Mr. PARKER of New Jersey. Did they own the most of their cars? For instance, take the Adams Express Co. I have seen their cars pass, and have seen a whole train of them, and wondered if they owned them.

Mr. McCHORD. No, sir; the Adams Express Co. did not own them. They were railroad-owned cars but for their special purpose.

Mr. PARKER of New Jersey. And leased for their purposes?

Mr. McCHORD. Yes, sir.

Mr. PARKER of New Jersey. And they were private cars leased to them by the railroads for their use?

Mr. McCHORD. Yes, sir.

The CHAIRMAN. That is not in connection with the meat-packing industry.

Mr. ESCH. No.

Now, Mr. McChord, another paragraph of this bill is this:

(e) To operate for the United States, as common carriers, through such agents or agencies as he may designate, all stock cars, refrigerator cars, and specially equipped cars acquired for the United States under the provisions of this act.

That might contemplate giving that to an agency other than the Interstate Commerce Commission, might it not?

Mr. McCHORD. Oh, yes.

Mr. ESCH. Then you would have two agencies in the Government dealing with two subjects matter quite similar, namely, transportation.

Mr. McCHORD. That is undoubtedly so. We found that in this case here, and all along, that we had four legislative bodies tinkering with transportation. We had Mr. Garfield, Mr. Hoover, Mr. Lovett, and the Interstate Commerce Commission, all having something to do with transportation.

Mr. ESCH. That is what led up to the congestion in the fall of 1917.

Mr. McCHORD. Well, I think that helped to do it. I think it helped to bring it about.

Mr. ESCH. You mean to add to the congestion?

Mr. McCHORD. Yes, sir. I have said so in my report to Congress.

Mr. ESCH. So that your idea would be that all transportation matters should be left in the hands of one agency.

Mr. McCHORD. I think so.

Mr. ESCH. For prompt and expeditious administration.

Mr. McCHORD. I have always thought so. Whatever agency it is, I think it ought to be one agency.

Mr. HAMILTON. The element of expense would also enter into that, wouldn't it?

Mr. McCHORD. Yes.

Mr. HAMILTON. The more agencies you have, the more taxes the people would be called upon to pay, wouldn't they?

Mr. McCHORD. Oh, yes.

Mr. ESCH. If the Government owned the refrigerator cars, and those cars are to give as good service, as expeditious service, as the ones now give where operated by the packers themselves, you must put more money for administration, put more money into the work of administration in order to get like results, must you not?

Mr. McCHORD. Well, I do not know that that would necessarily follow. If the railroad organization were as efficient, and it ought to be under proper supervision, this freight ought to be expedited: that is, perishable freight would not be delayed or ought not to be delayed.

Mr. ESCH. Do you think there is sufficient law now for the Interstate Commerce Commission to compel the packers, as well as the other concerns owning refrigerator cars, to give prompt and non-discriminatory service?

Mr. McCHORD. I do not think so.

Mr. ESCH. In what is there a lack?

Mr. McCHORD. Put the owners of cars on the same footing as the railroads, as a common carrier, and subject to the jurisdiction of the

ommission, just like the cars of a railroad are. I mean that the owners' cars should be in the same position as the railroad's cars.

Mr. ESCH. You think, then, there should be legislation making the car a common carrier?

Mr. McCHORD. I think so.

The CHAIRMAN. You mean the private-car owner?

Mr. SANDERS. No; he means the car.

Mr. McCHORD. Well, the car is subject to jurisdiction now, but as to the car line, or the car owner, and especially the owner who rents his car. I was proceeding on the idea that the individual owner or renter should be under that jurisdiction, treated as a common carrier, and subject to all of the laws that govern common carriers where he engages in that business. But the Supreme Court in the Ellis case, in the progress of this hearing here, decided that under the present law he was not a common carrier, and we did not have jurisdiction of the matter.

Mr. ESCH. It is your opinion that that should be done.

Mr. McCHORD. I think so.

Mr. ESCH. Would you suggest to the committee as a part of your hearing the appropriate amendment to the interstate-commerce act, or the car-service act, to carry that into effect?

Mr. McCHORD. I will be very glad to try, if the committee would like for me to do it.

Mr. ESCH. Well, I know of no one more experienced along that line.

The CHAIRMAN. The committee would certainly like to have any amendment you may suggest.

Mr. McCHORD. Do you mean to this bill?

Mr. ESCH. Oh, no; just generally. I suppose it will probably come as an amendment to the interstate-commerce act.

Mr. McCHORD. All right.

Mr. ESCH. You feel that if you were given that power, as the result of making the car a common carrier, some of the evils now complained against would be obviated?

Mr. McCHORD. I think we could reach some of the evils, if they exist, where we can not under the present law. I think there could be a standard of regulation for all devised that would be perhaps better than the present situation. We hesitated, and we said so in his report, about interfering with the present adjustment of the ownership of these private cars. We were right in the midst of war, and we had these other legislative bodies doing something with transportation; so we said, in the circumstances and with the records we found it, we deemed it unwise at the time to disturb matters; but we did lay down the proposition that primarily it is the duty of the carrier to furnish cars, both under the common law and otherwise. But they do not do that, and we do not have the power to make them do that. The court said we did not have the power, and the next best thing that has been devised was the private car, and I think that they should be regulated just like the railroad-owned car and all treated alike.

Mr. ESCH. If that were true, then you could expedite the movement of the privately owned car as well as the packers expedite the movement of their cars.

Mr. PARKER of New Jersey. Did your remarks about the ownership of private cars apply to such leases? Did you expect not to allow cars to be leased to certain corporations permanently by the railroads?

Mr. McCHORD. Well, I did not raise any objection to the leasing. It was the regulation that I spoke of.

Mr. PARKER of New Jersey. Nor did you raise any objection to the ownership, but you think there should be special regulations so that all can be treated equally?

Mr. McCHORD. Yes.

Mr. PARKER of New Jersey. And you agree with me, then, that there are very large powers in the Interstate Commerce Commission, by means of imposing penalties upon railroads for delay in the carriage of cars, which would get rid of almost all these difficulties and bring about equality to all?

Mr. McCHORD. The commission has no power to impose penalties.

Mr. PARKER of New Jersey. This was a pretty big complaint made by these men, whose cars were delayed, and they ought not to have to go to court to get possession of their cars, but within a reasonable time the cars should be returned to them.

Mr. McCHORD. Certainly, and——

Mr. PARKER of New Jersey (interposing). It seems to me there should be some law enacted by which railroads should immediately pay a man back the amount he has to pay other people in leasing a car, and they ought to be subject to some sort of demurrage penalty for delaying a car in transit.

Mr. McCHORD. Well, when I said he was entitled to a cause of action for damages, I did not mean he should go into court. He did not make this to us in the form of a complaint; he just told about it in his testimony.

Mr. PARKER of New Jersey. Very true——

Mr. McCHORD (continuing). He could have lodged his complaint and asked for reparation by the Interstate Commerce Commission, and it would have determined the matter for him.

Mr. PARKER of New Jersey. But why has not the Interstate Commerce Commission made some general regulations which would make it to the interest of the railroads to see that everybody was fairly treated and that cars were returned promptly, because they would be subject to a penalty if they did not do it?

Mr. McCHORD. Well, it is a pretty hard matter to make them do that.

Mr. PARKER of New Jersey. It could be easily done by deducting the freight.

Mr. McCHORD. You could penalize them and enforce the penalty, of course.

Mr. PARKER of New Jersey. And that penalty would make them mighty lively in seeing that their subordinates kept their cars going.

Mr. McCHORD. I think so.

Mr. PARKER of New Jersey. There are no such remedies established, are there, by the Interstate Commerce Commission rates?

Mr. McCHORD. For disobedience of an order of the Interstate Commerce Commission.

Mr. PARKER of New Jersey. If a man ships a car that ought not to take over 10 days with all reasonable delay, are there any penalties

perishable products. and thus get their products to the consumer; not at a cheaper rate perhaps, but more expeditiously than the average shipper can do so. Has that complaint been brought to your attention?

Mr. McCHORD. We did not find much of that; no. We had some reference to it, but we did not find a great deal about that in our investigation.

Mr. Esch. They complained to us that they could not get such advantages, and hence they could not meet the competition of the packers who dealt in like lines of goods, and that the packers were now covering pretty nearly the whole field of foods, while they were being put out of business.

Mr. McCHORD. In other words, the wholesale grocer could not compete with the packer who got his same freight delivered to his customers first.

Mr. Esch. That is it.

Mr. McCHORD. Yes; we had that suggested.

Mr. Esch. You think that these two amendments we have referred to might meet that line of complaint?

Mr. McCHORD. I think so.

Mr. Esch. Mr. Chairman, I will be glad to have any other member of the committee inject an interrogation during my cross-examination.

Mr. RAYBURN. I would like to ask a question there.

Mr. Esch. Go ahead.

Mr. RAYBURN. Mr. McChord, they complained, as Mr. Esch says here, that the average wholesale grocer could not meet the competition of the packers, because he could not expedite the delivery of goods to his trade. If these privately owned cars were made common carriers, wouldn't that put him practically on an equal footing with the packer; that even though the packer owned the car that the wholesale grocer could tender his goods to the packer and he would have to take it, being a common carrier.

Mr. McCHORD. Well, they would both be common carriers—those owned by the railroads and those owned by the packers.

Mr. RAYBURN. That is what I say. The packer has his car and uses it in his business and looks after it and tries to have it brought back so he may use it again.

Mr. McCHORD. Yes, sir.

Mr. RAYBURN. And the man who does not own cars complains because railroad-owned cars do not come to him like packer-owned cars come to them? If packer-owned cars were made common carriers, the wholesale grocer could tender his goods to the packer, and he would have to take them the same as any goods.

Mr. McCHORD. No; unless the packer held himself out as a carrier of goods for hire. and the owner likewise held himself out to handle groceries along with fresh meat, he would have to let anybody who had groceries to ship put them in.

Mr. RAYBURN. That is what I mean.

Mr. McCHORD. But, as I say, we did not find a great deal of that in our investigation.

Mr. RAYBURN. I have personally had considerable complaint along that line from jobbers and wholesalers.

Mr. McCHORD. Well, the subject was suggested to us.

Mr. Esch. It would involve the matter of a fair allotment of cars, would it not, and the company might not be able to do that under all circumstances, and hence would be penalized because of that inability?

Mr. McCHORD. You mean they could not make a fair allotment because they did not have the cars?

Mr. Esch. Yes; and then be penalized because they did not do that.

Mr. McCHORD. I should think that would be a pretty good defense against the penalty.

Mr. Esch. In your private car-line report you make this statement:

The obligation to treat the shipper fairly, no matter how small his shipments may be in comparison with those of another shipper, is one carrier can not escape.

Mr. McCHORD. I think that is fundamental.

Mr. Esch. You also state:

The duty imposed on the carrier by law is to give equal treatment to all shippers who are in position to demand it.

Mr. McCHORD. That is fundamental.

Mr. Esch. You also say:

Where the same carrier or carriers serve two shippers, who, by their location, the character of their output, and distance from markets where their products must be disposed of, are in substantially similar circumstances and conditions, the serving carrier or carriers can not lawfully prefer one to the other in any manner whatsoever.

Mr. McCHORD. I think that is true.

Mr. Esch. Those are fundamental doctrines that have been announced repeatedly by the Interstate Commerce Commission?

Mr. McCHORD. And upheld by the courts.

Mr. Esch. And upheld by the Supreme Court. Is any further law necessary to enable you to enforce these fundamental doctrines?

Mr. McCHORD. Well, the carrier can not treat all shippers alike unless it has the facilities for doing it. A great many carriers have not this special type of cars that you have under consideration, but, to the extent of its ability, it must do that.

Mr. Esch. You also state:

Meat packers everywhere are under compulsion, if they are to ship carcass meat, to supply themselves with cars, and carriers transport them under arrangements with the shippers. If the carriers were required to publish in their tariffs a rule to the effect that private cars when unloaded at destination, unless otherwise ordered by the owner or lessee, will be promptly transported loaded or empty, in the direction of the plant of the owner or lessee, doubtless much of the apparent injustice hereinbefore referred to would be avoided.

Mr. McCHORD. Yes.

Mr. Esch. Have you no power to require such to be published?

Mr. McCHORD. I thought we had. The majority of the commission did not quite agree with me. I think possibly that action was taken under stress of the conditions at that time. I think we have the power to do it.

Mr. Esch. There is doubt in the commission as to your power?

Mr. McCHORD. There was at that time a doubt as to the wisdom of doing that just at that time, on account of the abnormal conditions.

compete economically on the same terms with companies who are able and do own such private cars and accept the loss that goes with them.

Mr. McCHORD. Oh, no; it is just a case of the survival of the fittest. Any shipper with an organization that expedites his cars and gets them through first has an advantage.

The CHAIRMAN. That is what I wanted to get clear before the committee, just what I thought you meant. That it can not handle the regulation of packer-owned cars in the sense that you regulate other common carriers performing similar service to the extent that you would not open them up to anybody to ship in these cars.

Mr. McCHORD. Any shipper who has a car, either by ownership or lease, has the right to its exclusive use, in the loading and transportation of his freight, subject to the carrier's tariff rules and charges, and these must be just and reasonable.

Mr. STEPHENS. Mr. McChord, the complaint of the wholesalers who have appeared before the committee has been specifically directed to the fact that the packers are enabled to have their meat cars go out regularly, almost upon passenger schedule every day, so that on a line of railroad they can serve every town during that day with their meats, and that they serve also the grocery trade with their canned goods at the same time, whereas the wholesaler sends out his stuff, perishable or not, in way cars, which arrive at their destination anywhere from three to five days, or from one to five days afterwards. The complaint was that these packers are able to get the service from the railroads in a discriminatory way; that they could get cooperation from the general manager or the superintendent of the railroad, who directs the transportation, so that they were able to get this service, whereas the wholesaler would take pot-luck chance with his shipment, and because of the slowness of delivery there would be discrimination that would drive him out of business. Is there any way that you can suggest whereby a railroad company could be compelled to give the same service to the wholesalers that it gives to the packers in the matter of delivery of cars on the same schedule of time?

Mr. McCHORD. Well, you might require them to do that, but suppose a railroad did not have refrigerator cars, and had only ordinary freight cars, that go in the ordinary freight train; that a railroad was not equipped to give this expedited service, then, in order to do it, it must acquire the cars or equip itself with the cars, if it is going to serve the man who does not own such cars.

The CHAIRMAN. And force the railroads to perform the service at a loss in view of the experience of the private packer owned cars, who now suffer a loss in operating their own cars, which would likely be the lot of the railroad if it gave like service.

Mr. McCHORD. Yes, sir.

Mr. STEPHENS. Well, then, Mr. McChord, if these wholesalers are correct in what they have said, they are going to be driven out of business, and it looks to me like that is correct. If that is true, somebody ought to find a solution of that difficulty: either your commission or Congress ought to find some way or other to compel the railroad companies to render the same service to all alike who do business over their lines. You have no remedy for that condition?

Mr. McCHORD. Well, I think so. I think it is the carrier's duty to do that. We found an illustration in this report here of the owner

Mr. McCHORD. I have just seen this bill. As I just said, I think any man who undertakes to give an opinion ought to consider very carefully before he does so. There is one thought that flashed through my mind, namely, is the Government to assume the responsibilities for loss and damage on all those things if it takes them over?

Mr. ESCH. This bill does not provide for that, as I understand it.

Mr. McCHORD. It says:

of all refrigerator cars and specially equipped cars for the transportation of live stock, meats, and other products, derived in whole or in part from live stock or the slaughtering of live stock is hereby declared to be exclusively a function of the United States.

Mr. ESCH. Yes.

Mr. McCHORD. If the United States is going to function all of those things, it would take along with it the damage that would accrue by reason of functioning. My hasty consideration of this bill I do not think would make my opinion along the lines inquired of by you of any benefit to you. It would be very unsatisfactory to me.

Mr. ESCH. If they were turned over to a licensee there would be some provision as to the licensee for damage claims, would there not?

Mr. McCHORD. Yes.

Mr. ESCH. Are these damage claims a very considerable part in operating expenses?

Mr. McCHORD. You mean all equipment?

Mr. ESCH. Yes.

Mr. McCHORD. Oh, yes.

Mr. ESCH. A very large amount?

Mr. McCHORD. Oh, yes.

Mr. ESCH. Do the private refrigerator car lines file large complaints for damages in the operation of the refrigerator cars?

Mr. McCHORD. They have not filed many with us. I do not know what they filed with the railroads.

Mr. DEWALT. I was going to suggest to Mr. Esch to ask you this question: Would not this be the legal conclusion from the reading of that section, that you could not divorce the responsibilities for such damage claims from the function in the Government?

Mr. McCHORD. I do not think so. I think the liability would follow it right along.

The CHAIRMAN. It seems to me that is perfectly elementary.

Mr. DOREMUS. Does the record that has been made so far disclose whether it is the intention of the Federal Trade Commission, in the event the railroads are turned back to their owners, that the ownership of these refrigerator and specially equipped cars shall continue in the Government?

Mr. McCHORD. The Government has not taken these over, as I understand it.

Mr. DOREMUS. But this bill provides, among other things, that the President may acquire and operate, through certain agencies, these specially equipped and refrigerator cars. What I wanted to know is whether there is anything in the record thus far made which shows whether it is the intention of the sponsors of this bill that, in the event that the railroads are turned back to their owners, ownership of these specially equipped cars shall continue in the Government.

Mr. RAYBURN. This bill provides absolutely, and there is no question in the world about it, that the Government would own these

facilities. The Government never has owned the railroads. This bill does not provide for the Government assuming control of these things, but uses the word "acquire" all the way through.

Mr. DECKER. The Government control of refrigerator cars now is the same as over any other cars.

Mr. McCHORD. I think so. A car that is in service is subject to the control of the carrier, and the carrier is subject to the act to regulate commerce.

Mr. DECKER. So long as the Government has control of the railroads, then, would it not be able to control these cars in any way it wanted to along the line of public service utilities?

Mr. McCHORD. I think so. I think these cars, when put into service, are subject to the regulation.

Mr. RAYBURN. You would not feel called upon from your position to express an opinion as to the general policy of this legislation at this time, would you?

Mr. McCHORD. As I say, the commission in considering the general policy of the question agreed on the statement which they gave to the Senate committee.

Mr. RAYBURN. Was that made in the light of this bill?

Mr. McCHORD. No; in the light of the general railroad subject.

Mr. ESCH. And in the light of the general subject, the commission did not make recommendations for Government ownership of the carriers, or any portion of their equipment?

Mr. McCHORD. No; it did not; but, on the contrary, it said the governmental regulation should be expanded and some tribunal given broader power than it already has about a great many matters. For instance, our jurisdiction now extends to water lines only in so far as they operate in conjunction with a rail line. Our recommendation is that the commission, or whoever regulates them, be given the power to fix rates of the water lines, and to fix the minimum rate, for the reason that a proper differential should be established between the rail and the water lines, in order to let both live and not allow one to crush the other out. We also thought it was a proper thing to vest jurisdiction somewhere to regulate the issue of securities.

Mr. ESCH. How would it work out in actual practice to have refrigerator car lines, stockyards, and so on, placed under the hands of licensees? Would the placing of such licensees under the Interstate Commerce Commission cause any difficulty in administration?

Mr. McCHORD. I do not think it would cause any more than anybody else, if you have the power and the right to control it.

Mr. ESCH. Would the ownership of private cars, including refrigerator cars, complicate the bookkeeping branch of the Interstate Commerce Commission's work?

Mr. McCHORD. The ownership of private cars by individuals?

Mr. ESCH. By the Government.

Mr. McCHORD. I should think not. The Government would have to keep its accounts just like the railroad does, and if they are going to be reflected in our statistics we would have to see that they are kept in line with the other accounts.

Mr. Esch. And damages, where the Government owned the car, would be as easily adjusted as now?

Mr. McCHORD. I should think so.

Mr. DEWALT. I wish you would go into this license feature.

Mr. Esch. You might look at section 3, page 5, which reads as follows:

That for the more effectual carrying out of the purposes of this act all persons, partnerships, associations, or corporations engaged in the operation in interstate commerce, of stockyards or the adjuncts, appurtenances, and facilities hereinbefore enumerated or engaged in the purchase, manufacture, storage, or sale in interstate commerce of live stock or the products derived in whole or in part from live stock or the slaughtering of live stock, shall operate exclusively under license issued by the President through such agency or agencies as he may designate, and upon such terms as he may prescribe in such licenses and under such regulations as may from time to time be prescribed by him or with his approval by such agency or agencies as he may designate.

There again it raises the question as to the dual jurisdiction. does it not?

Mr. McCHORD. Yes.

Mr. Esch. And a possible conflict of authority?

Mr. McCHORD. I should think so.

Mr. Esch. And as these refrigerator cars cross the continent and go to all parts of the country, the matter of conflict may be as broad as the Nation itself?

Mr. McCHORD. That is so, unless the arbitrary power is granted to the President to do these things. Then, of course, there could not be any conflict.

Mr. Esch. Would it be your idea that he should be given such power to license these private car lines and other agencies, and that such power should be exclusive?

Mr. McCHORD. Well, I do not know; that is a question that I guess you gentlemen will have to settle.

Mr. Esch. That might be the penalty that would have to be paid for creating this other agency, and the question might be to determine whether the sacrifice is to be sufficient to warrant the change.

Mr. McCHORD. It is a matter that I have not given any thought or study to.

Mr. DEWALT. The question in my mind is this, as to the feasibility of this license system under the terms of this proposed act. The license is to be at the discretion of the executive power; the terms are to be fixed by the executive power; the tenure of the license is entirely within the discretion of the executive power; the revocation of the same is entirely at the will of the executive power; the penalties inflicted are entirely at the discretion of the executive power; in other words, none of the provisions of the proposed license are set forth in the act itself, nor are there any limitations at all upon the executive will. Now, query: From your experience on the interstate Commerce Commission in matters of like purport, do you think that any such system would be feasible?

Mr. McCHORD. Both as a State commissioner for 12 years and an Interstate Commerce Commissioner for 8 years, I have never seen anything helpful in this whole proposition except rigid, stringent regulation.

Mr. DEWALT. With private ownership?

Mr. McCHORD. Yes; I am speaking now on the broad question of the carriers.

Mr. SWEET. The fact that a large percentage of the refrigerator cars are owned by the packers and, in a sense, are looked after by the packers in their operation—has that had a tendency to deteriorate the general railway service in connection with refrigerator cars?

Mr. McCHORD. I did not discover any such thing in this.

Mr. SWEET. My thought is this: The fact that the packers own such a large percentage of the refrigerator cars, and the fact that they look after them in detail as to where they go and when they return, would naturally lead to the conclusion that other refrigerator cars operated by the railway company would be crowded out and that the packers would have a preferential service in that connection.

Mr. McCHORD. And not be looked after as efficiently as the packers look after theirs?

Mr. SWEET. Yes; and the fact that the packers are looking after them and the responsibility is largely assumed by the packers, the railroad company naturally feeling relieved from the service, and therefore does not give the service to the general public with the cars owned by them that they do to the refrigerator cars owned and in a measure operated by the packers.

Mr. McCHORD. I do not know that that is so much so as to railroad cars where they own the cars. The railroads do not own as many refrigerator or private cars of the type that is necessary to do the business; but I do not recall whether there is any such showing as that or not between the railroad owned and the privately owned cars. It is reflected to some extent on page 716 of our report, in the last column, which gives the average mileage earnings of their cars.

Mr. SWEET. Do you believe that it has been detrimental to the general railway service in connection with the refrigerator cars—the fact that the railroad companies have allowed the packers to own and in a measure operate cars over their lines?

Mr. McCHORD. To the extent that it would lessen the ability of a competitor of the packers to get their freight to market.

Mr. SWEET. Would it not have been better if the railway company had continued to operate and own these refrigerator cars, speaking generally from the viewpoint of the whole transportation question?

Mr. McCHORD. I think so, if they would expedite the service and give the service the public demands. Part of the public has been educated up to a pretty high degree of service, and it is not impossible for the railroad to do that if they would just do it.

Mr. SWEET. Has the Interstate Commerce Commission at this time, under the authority granted by Congress, the power to require the railway companies to own and operate all cars, freight cars of every kind and nature, as a transportation system?

Mr. McCHORD. They have not, and the Supreme Court has recently held they have not. We tried to require the Pennsylvania Railroad to put a special type of car on, and they took it to the Supreme Court, and the Supreme Court upheld their contention that we did not have the power.

Mr. SWEET. Can you suggest any legislation along that line that would give you that authority?

Mr. McCHORD. An amendment to the act granting that power to the commission would undoubtedly give it.

Mr. SWEET. And there is nothing in the Constitution or in any public policy, as you view it, that would interfere with Congress in granting you that authority as an Interstate Commerce Commission?

Mr. McCHORD. I do not think so.

Mr. MONTAGUE. Do you think if that power were given it would meet the objection raised in the Supreme Court, just alluded to?

Mr. McCHORD. I think so.

Mr. MONTAGUE. Mr. Commissioner, as a matter of principle, should the railroads own their own equipment, all of it, or should private enterprises have an interest and own some portion of that equipment and operate it?

Mr. McCHORD. It is, undoubtedly, the legal duty of the carrier to own or to furnish its own equipment.

Mr. MONTAGUE. The old canal system did not own the canal barge; as I understand it, everybody had a right to go on the canal.

Mr. McCHORD. Yes; the same way with the railroads. The carrier furnished the roadbed and the engines and the first coaches were old stage coaches with flanged wheels.

Mr. MONTAGUE. Private coaches?

Mr. McCHORD. Yes; private vehicles, coaches, and wagons.

Mr. MONTAGUE. How long did that obtain?

Mr. McCHORD. Up to about 1845, and then after that the railroads undertook to furnish the equipment themselves and that was the way they did it until after the close of the war.

Mr. MONTAGUE. Was it found that the system was inadequate? Did that bring about the change?

Mr. McCHORD. Yes.

Mr. MONTAGUE. The method of privately supplying certain instrumentalities to the carriers was found to be disadvantageous as compared with the operation of the same instrumentalities by the carriers themselves?

Mr. McCHORD. Yes; and the carrier undertook to better the instrumentality, to make a better coach, and it did, and that method was in operation up until the close of the war when the carriers were in pretty hard lines and they could not furnish sufficient equipment. Business started to grow again, they did not have the money and could not get the equipment, and then enterprising citizens undertook to do it. That has been the *modus operandi* ever since.

Mr. MONTAGUE. The contention of the packers here, as I understand it, is that the carriers will not give them as adequate and as sanitary service as respects refrigerator cars as the packers themselves could give. What do you think about that?

Mr. McCHORD. I think there is a good deal in that. My knowledge of the operation of railroads and the difficulty in getting them to live up to the high-water mark of efficiency would lead me to believe that anybody who owns a lot of cars and ships his own freight and puts his own force behind it can keep it in better condition and give better service than with a car that is put into transportation and left to go along.

Mr. MONTAGUE. He will have an advantage over the operation by the carrier?

Mr. McCHORD. I think so. His own individual efforts make that possible.

Mr. MONTAGUE. It is a wise and just policy for a government to pursue, do you think?

Mr. McCHORD. I have doubted it; I doubt it; it is quite a serious proposition.

Mr. MONTAGUE. To give one shipper an advantage over another shipper, whether due to the packer's efficiency in aiding himself or not.

Mr. McCHORD. Yes.

Mr. MONTAGUE. Is that a wise policy?

Mr. McCHORD. I doubt it. I believe in equality of opportunity and of treatment.

Mr. MONTAGUE. Is that widely different in policy from giving the shippers advantages by rebates and bonuses.

Mr. McCHORD. I think there is quite a difference. It is the effort of an individual to make his business better than that of his neighbor or competitor. I think that is laudable. I think that runs through all business life.

Mr. MONTAGUE. You would not think there was an analogy between that and a system of rebates.

Mr. McCHORD. I do not think so. We commend one and condemn the other.

Mr. MONTAGUE. Do you think it is practicable to enact legislation by which the Government would supply refrigerator cars and give as efficient operation of them as is now given by the packers themselves?

Mr. McCHORD. I do not know. Of course the Government could if it would. You could change the ownership and operation and take it out of the hands of the packers and put it in the hands of somebody else, or a private corporation, and get the same efficiency that the packers would give. You mean, do I think it is likely the Government would give the same efficiency as a private enterprise?

Mr. MONTAGUE. Could you by regulatory powers get as efficient operation through private ownership of the railroads as is now given by the packers in cooperation with the railroads?

Mr. McCHORD. I do not know whether that could be done or not, but it would be a step in the right direction.

Mr. MONTAGUE. If you could secure as efficient operation of the refrigerator cars by the railroads through Government regulation, would you change the system that the packers now adopt?

Mr. McCHORD. There are degrees of efficiency, and I can not state; I do not know whether the Government could do it or not. I said it might do it, if it would. The only difficulty I see in the matter is that if there is a shipper, who is entitled to get his transportation to market, is not given by the carrier the same service that the wide awake owner of the fresh meat cars gets, he is at a disadvantage, of course.

Mr. MONTAGUE. My question is whether the Government can do this work that the packers are now doing with their refrigerator cars as well or better than the packers do it.

Mr. McCHORD. I think it is the duty of the Government to furnish transportation, or to cause it to be furnished by a railroad, and I think that transportation should be furnished without discrimination and with an entire equality of opportunity granted to every shipper, big or small.

Mr. MONTAGUE. Fundamentally, you do think it the right of the shipper to own the instrumentalities of transportation?

Mr. McCHORD. No; I do not.

Mr. MONTAGUE. That is a function of the carrier itself?

Mr. McCHORD. Yes.

Mr. PARKER of New York. Is the Pullman Co. rated as a common carrier?

Mr. McCHORD. Yes.

Mr. PARKER of New York. Do you not believe, in this question of refrigerator cars, that perhaps they all might be combined into one company and be treated as a common carrier, thereby preserving their present condition and giving the Interstate Commerce Commission regulatory powers?

Mr. McCHORD. Then they would have to render the service to the entire public.

Mr. PARKER of New Jersey. They then could maintain their own service, but there would be equality of service for everybody.

Mr. McCHORD. Undoubtedly, if they served the public as they do themselves.

Mr. PARKER of New York. Is it possible to write an act along that line?

Mr. McCHORD. Of course, such an act could be written.

Mr. PARKER of New York. The thought occurred to me if that would not be a good thing, because some of the smaller roads could not afford to own their refrigerator cars to the extent that would be necessary, and some other roads would be able to. I was wondering if a combination could not be made whereby you would have an independent company own the refrigerator cars and giving this service.

Mr. McCHORD. Yes; they could all be pooled and owned by one.

Mr. PARKER of New York. Under strict Government regulation?

Mr. McCHORD. Yes.

Mr. PARKER of New York. You said a moment ago that you do not believe in monopolies. Do you not believe that strict governmental regulation always tends toward monopoly?

Mr. McCHORD. No; I do not think so.

Mr. PARKER of New York. On this theory: Of course, there are two ways to regulate prices, one by competition and the other by regulation. If you are going to say how much a man must charge, of course, you must protect him from undue competition.

Mr. McCHORD. Undoubtedly so.

Mr. PARKER of New York. You must protect a man in saying he can only make a certain charge. For instance, in the case of a railroad you would say he can only charge 2 cents a mile. Then, of course, you must protect that man against another man who might parallel that line and charge only 1½ cents.

Mr. McCHORD. When you start with the railroad you start with a monopoly, and the Government regulation is to minimize the evil effects of that monopoly.

Mr. PARKER of New York. I was speaking entirely of the interests of the public. To go one step further about the railroad owning these cars, I think your testimony showed that the cars owned by the packers were run at a loss.

Mr. McCHORD. Yes; some of them.

Mr. PARKER of New York. If they were under governmental regulation that would not have to be done, because, of course, they could make, the law says it must be, a fair reasonable rate.

Mr. McCHORD. Yes.

Mr. PARKER of New York. Based on a fair and reasonable return on the money invested. Do you not believe it would cost the public more if the railroads owned the cars, because it would cost more for transportation?

Mr. McCHORD. Of course, in the matter of cost of owning the cars, the thing to be looked at is whether there is any equality of treatment to the shipper.

Mr. PARKER of New York. I am thoroughly in accord with you on that.

Mr. ESCH. Section 4, on page 6, contemplates the creation of one or more corporations, and \$500,000,000 is authorized as a revolving fund, and these corporations, I take it, are to be the agencies for carrying out the provisions of this bill. That would contemplate that the Interstate Commerce Commission would not be delegated the authority granted under the bill?

Mr. McCHORD. I do not know.

Mr. ESCH. The insertion of the paragraph as to a corporation or corporations to carry out the provisions of the bill would seem necessarily to imply that the Interstate Commerce Commission would not be given jurisdiction?

Mr. McCHORD. Yes.

Mr. ESCH. Those corporations, you notice, are provided for as follows:

The sum of \$5,000,000 to be used as a revolving fund, and all moneys and other properties derived from the operation, leasing, or licensing under the provisions of this act are hereby declared to be the property of the United States.

That might imply that these corporations should have something to do with the fixing of rates; "operation" is a broad term.

Mr. McCHORD. That speaks moneys properly derived from the operation.

Mr. ESCH. And the operation?

Mr. McCHORD. Yes.

Mr. ESCH. Would that imply that these corporations would have any rate-making power?

Mr. McCHORD. I do not know.

Mr. ESCH. If they were given rate-making power would that necessarily bring about confusion and conflict between your jurisdiction and that of these corporations?

Mr. McCHORD. I doubt very much whether that could be construed as conferring power on these corporations to make rates; but if they did, of course, that conflict would be there.

The CHAIRMAN. I have observed ever since I have been on this committee criticism as to the conduct of the Interstate Commerce Commission, and I say, and always have said, that I believe that that commission was acting solely and singly with a view to the public good, and yet I do know that that commission has been assaulted from first to last as being inimical in its demeanor toward the corporations which it controls, as to destroying their credit, and such critics have resorted to an effort to control public opinion by

advertisements of all kinds, and even quite recently in my observation I have noticed where a great banker in New York made a speech in which he roundly denounced the Interstate Commerce Commission and what it had done. I afterwards had the opportunity and pleasure to read your reply to that banker and his reply to you and your further reply to him, in which, although you showed as plainly as it could be shown that that banker did not want the facts nor did not want the public to know the facts, he did not admit fairly and squarely and openly and candidly that what you stated as to the facts removed all ground for any such charge. Now, your function has been to administer a law that Congress has made, and to administer it in the public interest. When I have seen first and last, and ever since I made a speech five years ago in opposition to the methods the railroad corporations were then pursuing, in order to affect a decision of the Interstate Commerce Commission, on the then pending 5 per cent rate case, when I have seen what a load a regulating body has to carry where it has got to meet all the power of the money of the corporations to influence public opinion through magazines, newspapers, and other expenditures of money, the same channels not open to the regulating body, which can not answer back in the same way, I fear I have lost a good deal of confidence in the ability of regulating bodies to regulate in the public interest, and I think I have come to that conclusion because of what I have seen with reference to the action of the Interstate Commerce Commission, and I wanted to ask you whether or not there has not been a very hard load for the Interstate Commerce Commission to carry and meet the opposition of the kind that has been brought to bear against it and its rules on regulation, in the way I have just detailed?

Mr. McCHORD. That opposition has never affected the Interstate Commerce Commission or any of its members.

The CHAIRMAN. I do not doubt that.

Mr. McCHORD. The matter that you refer to came about in this way: As a rule, we never pay any attention to the speeches or hostile views expressed by interested parties in criticism of the commission, and as a rule we never write letters about those things; but in this instance that you refer to this gentleman, being at the head of one of the largest financial institutions in the world, was, I thought, evidently misinformed. He was not only vice president of that great institution but he was or had been secretary of the railroad executives' committee. I think he has resigned the latter place now, but he was making speeches at banquets and associations, and some one was sending them to me. They were beautifully printed and very readable, and when I received the third one I concluded that he had certainly been misinformed, and I did not think there was anything out of the way for an Interstate Commerce Commissioner to try to set him right. As I say, we never undertake to defend our decisions or defend anything that we do, but this was a matter of such importance that I thought the public ought to know, and on my own responsibility I wrote an answer to him and wrote the reply. I agree with you that his sole object was probably not to find the truth, but the figures I gave him were from the sworn statements of the railroads themselves. He undertook, in the answer he made, to create the impression that I had taken the position that the railroads were earning all they ought to earn. I took no such position. I was simply endeavoring to show him that under the regulations of the

Interstate Commerce Commission the earnings of the railroads for 26 years had grown gradually, both as respects the gross, the net, the net per mile, and with respect to the average rate of dividends that were paid, and the ratio of book costs to net, and as to surplus. I never said for a moment that they were earning as much as they ought to earn, but I was simply meeting his argument that I did not think was true, that under the operation of the control of the Interstate Commerce Commission the railroads had been brought to the stage at which they are now.

The CHAIRMAN. It appears to me that in the infancy of the Trade Commission—infancy as compared to the Interstate Commerce Commission—that it is going to have the same road to travel as the Interstate Commerce Commission has had, so far as that kind of procedure is concerned.

Mr. McCHORD. Oh, yes; the propaganda is always going on, and always will be, but it does not affect us.

The CHAIRMAN. I know it does not affect the commissioners' actions, neither does it affect the Trade Commission; but truthfully or untruthfully it has been advertised all over this country that the Trade Commission has acted unjustly, improperly, arbitrarily, and unfairly, and therefore, whether it is true or not, if the public believes it is true, the next thing will be a law to abolish the Trade Commission, and there is already propaganda going all over this country that Congress should pass a law to require the Interstate Commerce Commission in establishing rates to provide for a certain amount of returns to cover certain purposes. Thus the ability of a regulating body, if it is not destroyed, may be impaired, regardless of the integrity of the commission itself.

Mr. McCHORD. I do not agree with you, Mr. Chairman. I have great confidence in the public. I do not believe the public is going to be mislead into believing any such things as these interests are putting forth, and I do not believe that the Congress will do anything that is unwise about this matter.

The CHAIRMAN. Not if they can be properly informed so as to meet the opposition of the other side, so that the public can be equally and impartially informed as to the facts.

Mr. McCHORD. We have the opportunity every now and then, in an opinion of the commission, to inform the public about some of these things.

The CHAIRMAN. I do not believe there has ever been a commission in the United States since the Government was formed that has more firmly entrenched itself in the confidence of the public than the Interstate Commerce Commission, but it is no less necessary that other commissions should conduct themselves so the public will have that confidence in other commissions that they now have in the Interstate Commerce Commission.

Mr. ESCH. I would suggest that when the railroad matter is taken up the correspondence between Commissioner McChord and President Sisson, of the Guaranty Trust Co., of New York, be printed as part of the hearings.

The CHAIRMAN. My remarks were not confined to this bill, but there is no question in my mind but that there has been an attempt to create a public sentiment along the lines that the Interstate Commerce Commission has not acted in the public interest, and has at-

tempted to interfere with the ability of the railroads to serve the public, and that they ought to be reduced in the power they have to exercise, just as Mr. Sisson himself stated.

Mr. McCHORD. We do not believe that either the Congress or the public will be misled.

Mr. PARKER of New Jersey. Regarding a railway as a public highway and established as such, does it or not follow as a legal right that any man who furnishes equipment to go on that public highway is entitled to have it hauled over that highway at reasonable tolls?

Mr. McCHORD. I do not think so.

Mr. PARKER of New Jersey. That was the old rule?

Mr. McCHORD. Because the railroads allowed them to do that.

Mr. PARKER of New Jersey. The railroads were laid out as public highways, and they are still subsisting as such. Also lately a great many railroads, which are not regarded as such, trolley lines, etc., are taking cars from the railroads to be hauled over those trolley lines, and there are connecting switches and branch roads in the cities; railroads to private warehouses and public warehouses and to shipping docks, and to all that sort of thing, on which the toll question has to be arranged, and each railroad has to receive the cars of every other railroad on proper tolls. My question is whether you can get rid of the right to have your own car, whether it be a railroad car or a private car, hauled upon a public highway upon payment of reasonable tolls?

Mr. McCHORD. You could have your own car; that is your private property, but when you put it into transportation it performs a governmental function, and you can only operate it there in conformity with the requirements of the governing authority.

Mr. PARKER of New Jersey. It is, however, a highway for general use, and it must, under the old principle which I think exists to this day, be subject to the right of everyone to go upon it, under reasonable regulations, and that ought to apply to a car as well as to a wagon in the old days.

Mr. McCHORD. I do not think so.

Mr. PARKER of New Jersey. You do not think so?

Mr. McCHORD. I do not think so. I know the furnishing of highways is a governmental function, and has been ever since the building of the golden roads that led to Rome, and that general principle has been carried into the construction of railroads.

Mr. PARKER of New Jersey. Can they forbid a man from putting a private vehicle on that highway after the railroads built it?

Mr. McCHORD. Yes; but the railroad can put it on and operate it for him.

The CHAIRMAN. We are very much obliged to you, Mr. Commissioner.

(Thereupon, at 1.05 o'clock p. m., a recess was taken until 2 o'clock p. m.)

INTERSTATE COMMERCE COMMISSION.

Washington, February 19, 1919

Hon. T. W. SIMS.

Chairman Interstate Commerce Committee,

House of Representatives, Washington, D. C.

DEAR MR. SIMS: In connection with my statement before your committee on February 14, 1919, which had under consideration a bill for the control of the

meat-packing industry, I was asked to suggest amendments to the act to regulate commerce that might give effective control of private cars to the Interstate Commerce Commission, and at the time I stated that I thought such amendments could be drawn, and that I would submit such proposed amendments, I have to suggest the following:

An amendment to the third paragraph of section 1 of the act, after the words "sleeping car companies," insert the following: "and private car lines, which perform services for common carriers or shippers, and car lines, corporations or individuals who lease cars to shippers for hire for use in interstate commerce."

An amendment to the same paragraph, after the words "upon reasonable request therefor," insert the following: "and the Interstate Commerce Commission is hereby authorized to require common carriers subject to the act to acquire and furnish needed equipment when upon hearing or otherwise it shall be determined that such requirement is just and reasonable, and is in the interest of the free movement of interstate commerce."

An amendment to the first paragraph of section 6 of the act, after the words "rates, fares, and charges," insert the following: "and the rental or other charges made for cars in the service of common carriers or shippers, or leased to shippers for hire."

Very truly, yours,

C. C. McCHORD,
Commissioner.

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. Before we proceed I want to ask a question. Is there anyone in the room representing the Cudahy Packing Co.?

Mr. LIGHTFOOT. Mr. Creigh left last night. He has been representing the Cudahy Packing Co.

The CHAIRMAN. But he is not here?

Mr. LIGHTFOOT. No, sir; he is not here. There is no one here representing them.

The CHAIRMAN. Is there anyone here representing Swift & Co.?

Mr. HEALEY. Yes; Mr. Chairman.

The CHAIRMAN. Then you are indirectly interested. A few days ago Mr. Lasater, who was heard by the committee, quoted from—or referred to a hearing that had been held by the Trade Commission in which there was printed a copy of a letter that had been written by three of Swift's employees, I believe Mr. McManus was one, with reference to the Borland resolution, and that it appeared—I did not see the print myself—that it appeared that Mr. Creigh's name appeared in that hearing—I mean in that transcript of the hearing—in a pencil memorandum. Mr. Creigh arose and stated that his information was that when that letter was taken from Swift's files, his name was not on it, neither in pencil or otherwise, and so the committee was requested to ask the commission, the Federal Trade Commission, if it still had the original to send it or bring it to the committee for the committee's inspection in order to see whether or not Mr. Creigh's name was on it.

So I wrote the letter accordingly, and since that time, some two or three days ago, by messenger came up what I am now holding in my hand [exhibiting a sealed envelope]. I did not receive it in person. I found it on my desk, and purposing that it might refer—that it might inclose or might have that letter or the original in it, I did not want to take the responsibility of opening it not in the

presence of the committee, and especially not in the absence of Mr. Creigh, if he is not here. Now, Mr. Creigh is gone and Mr. Murdock is here, and I have never opened this envelope. I don't know what is in it. I may be entirely mistaken, but if that letter is in there, there seems to be so many charges and insinuations going around of things done or not done that I did not want to get mixed up in anything of that sort, so I did not open it, and I am going to ask now that Commissioner Murdock open this package. It was sealed and I have not opened it, and I don't know what is in it. I don't know whether it is the pencil memorandum or not. So you can open it, Mr. Commissioner [handing the envelope to Mr. Murdock].

STATEMENT OF HON. VICTOR MURDOCK, FEDERAL TRADE COMMISSIONER.

Mr. MURDOCK. This is addressed "Hon. Thetus W. Sims, chairman Committee on Interstate Commerce, Washington, D. C., by messenger. From the Federal Trade Commission, Washington, D. C. [Mr. Murdock here opened the envelope.] Do you want me to read the inclosure?

The CHAIRMAN. Is it a letter?

Mr. MURDOCK. There is a letter of transmittal; yes. [Reading:]

FEBRUARY 10, 1919.

DEAR MR. SIMS: Your letter of February 8, 1919, asking for a certain document taken from the files of one of the meat packers by the commission is at hand. Inclosed is the original document to which you refer and which was read into the commission's public hearings on the meat-packing industry, volume 8, pages 1777-1804, and which was referred to by Mr. Lasater in his testimony before your committee.

As soon as the members of your committee have finished inspecting this letter the commission desires that it be returned. This is one of the few original letters which the commission has in its possession. Ordinarily the commission did not take from the files of the packers the original letters, but took verified copies of the letters which it desired. There were some cases in which the original letters were taken, with the understanding that they were to be returned to the companies. The letter herewith inclosed is one which the commission is to return to Swift & Co.

Very truly, yours,

WILLIAM B. COLVER, *Chairman.*

The CHAIRMAN. That is the original, then, that was called for!

Mr. MURDOCK. The original is quite long.

The CHAIRMAN. I mean that is the original. It is sent up for the committee to inspect, so each member of the committee that desires to do so can examine the original. I have not examined it.

Mr. ESCH. I suppose the only point is to see whether Mr. Creigh's name is inserted in pencil. Isn't that about the only thing?

The CHAIRMAN. I only state from memory what occurred, and I don't know.

(Mr. Murdock handed the papers to Mr. Rayburn.)

Mr. MURDOCK. Now, Mr. Chairman, shall I go ahead?

The CHAIRMAN. Yes; you can proceed. Now, I will say to the gentlemen who represent Swift & Co. or any other person representing the packers, that they can examine this letter, and the committee, so far as I know, has no objection to that.

Mr. HEALY. When the committee is through I would like to look at it.

The CHAIRMAN. Proceed, Mr. Murdock.

Mr. MURDOCK. Mr. Chairman and gentlemen of the committee, Mr. Colver, the chairman of the Federal Trade Commission, is ill, has been ill several days, and it was his purpose to close this hearing on behalf of the commission, and in view of his illness I have taken it upon myself to close it. I would not be entirely frank with you, gentlemen, to say if at the outset I did not indulge a thought which is uppermost in my mind.

The meat proposition is a Banquo's ghost. It is not going to down. Right now it is apparent from the state of public business and the nearness of the end of this Congress that in all probability there will be no legislation along the line of the control of the packing industry in this Congress, but I think that it is fair to assume that the packers in this situation, who are always vigilant and always alert, are watching this particular situation and the formation of committees.

And I have also this thought: Eventually legislation is going to come upon this subject. No one has a copyright on the legislation, Mr. Esch, which will be actually effectual. No legislation that I have seen, either this bill or any other bill, is divinely inspired, but the fear that I have as a public man to-day is this, that when the legislative branch of this Government takes hold of the matter of the control of the packers, that it will take hold weakly and not vigorously.

I know the course of legislation in this country. This committee will report out eventually some bill. The Senate will report out another bill, and the whole matter will go into conference. Now, my fear is that when you have gone through these long laborious steps; after there has been full investigation; after Congress has legislated, that in the end we are not going to put our hand on the sore spot. Now, I believe that if we do not put our hand on the sore spot that Banquo's ghost will rise again, and again and again, as in the case of Macbeth, until amen sticks in our throat.

I have had a pretty lively time on the Federal Trade Commission. I thought it would be a rather quiet place. I have found it to be one of constant activity. As to criticism I am not quite as callous, perhaps, as Mr. McChord. I don't like criticism when I think that criticism is inspired by an interest which is selfish. I am a newspaper man myself. My approach to the meat industry has been as a newspaper man largely.

My first observation of the meat business was this: I was reared in a prairie town. In those days my country was a cattle country. My town was the end of the only railroad in that section of the country. From the great plains of Texas and across what is now the great State of Oklahoma—which was then Indian country—came vast herds of long-horned Texas steers. They crossed the Arkansas River at my place and were loaded onto trains. The first cattle I ever saw, Mr. Winslow, were under these circumstances: A great herd of cattle were coming across the Arkansas River, and they began to mill. I don't know whether they know what "milling" is down in Massachusetts or not, but a great herd of cattle, and they may be wild or tame—the buffalo had it—begin to mill and grind to a compact and

death-dealing center. In the midst of this milling horns cracked with the sound of a back-fire of a modern automobile. I saw Shanghai Pierce, so named because he resembled the altitudinous rooster of that name—a tall, gangling Texan—creep out over the backs of those milling cattle and give them a sort of a Texas rhapsody, a song which gradually quieted them and straightened them out and brought them across the river. Now, Shanghai Pierce was a cattle baron. In the early days we had cattle barons. They were, all of them, without exception, strong men, men who had an entourage of cowboys and drivers, who came across that country with their men to load their stock. That was my introduction to the cattle business. Of course, I didn't view it from an economical standpoint, but rather as a looker-on in Venice.

Seventeen or eighteen years after that—less than that; 15 years after that—I became a reporter in Chicago. As a reporter I grew to know virtually all the founders of the modern packing business. It was one of my duties to call twice weekly upon Philip D. Armour, a very strong man, as I remember; a man who liked control; a man who knew his business, who had not inherited but had developed it. I knew the elder Mr. Morris; I knew the elder Mr. Swift; I remember, too, another interesting character, Samuel W. Allerton, given somewhat to politics. I had never seen the newer generation of packers until this hearing. I had never seen nor heard Mr. Ogden Armour or Mr. Louis Swift or the Morrisises. They are a new generation.

The first time I was elected to Congress, in about 1903, the Bureau of Corporations issued a report on the meat-packing industry. I was a young Congressman with an abundance of time, and I read that report. I don't believe that 10 per cent of the Members of Congress did read that report. That is often the fate of public documents. In part 2, which we have submitted to you, we sat up night after night, week after week, weighing every sentence in it. We rejected that which we thought ought to be rejected and we included in that report only such things as ought, in our opinion, to go in.

Now, I think, if I may just lecture Congress a wee bit here, that it is the business of every Member of Congress, of this committee, to read part 2 of our report, and read it as carefully as we read it when we were preparing it. The old Garfield report had a great many wonderful things in it. I don't know whether any of you gentlemen ever read it or not, but the sum and substance of the Garfield findings was this: That the packers made on the slaughter of a single head, a single animal, \$1.49. You remember, Mr. Parker, that that was segregated: that he made on the slaughter of the animal 99 cents; that he made on the refrigerator-car service 25 cents; that he made in addition to the 99 cents and the 25 cents an additional 25 cents on the by-products. Most of you will remember that the country almost universally rejected that finding. One dollar and forty-nine cents per head appeared too small a profit.

The Garfield report was interesting in other ways. It was a very interesting economic study. I discovered, for instance, that the report found that over 50 per cent of the finer beef cuts of this country, cuts that come from the export steer—a steer, I think, weighing around 1,500 pounds—that over 50 per cent of those finer cuts were

consumed in some 29 cities, all of them east of the Mississippi River. I remember that I rather resented it at the time. I was reared near great cattle ranches. We raised the finest beef, but out in Wichita, Kans., our people were eating leather and you people down here in Washington and Boston and New York were living on the fat of the land.

A little after the Garfield report, you will remember, an impeachment was brought, brought by the then Republican administration, against the sanitary conditions in the packing plants. You gentlemen who were then Members of Congress will remember the cyclone that played around the House Committee on Agriculture in those days. Now, more regulatory legislation came, if I remember right, Mr. Sims. We had a greater measure of Federal inspection. Did I think that inspection went far enough? I never did. I don't know whether it be true to-day or not, but after all that agitation in 1905 and 1906, I discovered that no hog was rejected unless a tuberculosis lesion showed in two parts of the hog. Now, I think that if it is still in the law that a tuberculosis lesion in one part of the hog passes that hog, it is an outrage upon the American people. I wouldn't eat a tuberculosis hog if I knew it, and I don't believe that Congress ought to permit the people of the United States to eat it.

Two or three years after my retirement from Congress I came to the Federal Trade Commission and I found the investigation of the packers in progress. The commission had sent out to the packers an interrogatory which I think most of the packers answered. I have read the answers to those interrogatories. They are not illuminative of the issues that you have before you. They will be included in our forthcoming report. We are preparing all the volumes of this report. We want to be exact. We have no interest to serve except the public interest. I think that I can say to you gentlemen that I absolutely am without prejudice or without passion in this regard. I want the facts.

We submitted part 2. Mr. Sims introduced this bill, a suggested bill, and you have heard the packers. You have heard all sides. When you sum it all up, you find that the packers have admitted the main impeachment which is included in part 2. And what is that? That is, that there is a proportionate division of live-stock receipts. Mr. Armour—I heard him, and I am speaking now only about what I heard before this committee—says there is such a proportionate division. The commission says that that is through design; Mr. Armour says it comes about—this proportion division of live-stock receipts—through each company driving for its proportionate amount of business. I don't believe that. I don't believe that a drive for business at Fort Worth, for instance, in 1916, out of a total purchase of 364,000 head of cattle will show a difference between Swift and Armour of only four head.

Those things don't happen when they are as close as that, as they are at Fort Worth and at Denver, where these percentages keep up year after year within a fraction of 2 per cent. Those things don't happen. Those things are made to happen. They are by design, and I believe they are by collusion. We had a Senator—John J. Ingalls—who said that if every sand of the desert was a letter of the alphabet, the winds of the desert might blow a million years and they would

never combine any of the grains into Hamlet's soliloquy. Things don't happen in the United States of America in such a way that these great business concerns will keep the same percentage of receipts year after year without an understanding.

In this hearing the packers first of all resorted to a commonplace practice. They drew a red herring across the trail. One and all testified that they were not treated fairly. I am speaking largely for myself in this. I for one commissioner did not propose to stand between the law and a man who had broken the law. I did not propose by any manner of accident to grant immunity. The funds that we had were considerable but limited. I did not propose that the packer should filibuster and obstruct that inquiry—and this, gentlemen, was an inquiry. It was not an adversary proceeding. The President of the United States gave life to that inquiry through a letter of direction.

Substantially the direction was this: That if there is an atmosphere of suspicion around the food industry, and it is not justified, that atmosphere should be cleared up; if there is an atmosphere of suspicion about it and it is justified, then the people should know it and such correction should be made in the way of putting under control manipulations and collusive action as would bring remedy to the people. Now, it was the business of the commission to find out whether that atmosphere of suspicion was justified; what had caused the atmosphere of suspicion, and to report to Congress, and it was for Congress to find the remedy—and it is still the business of Congress to find that remedy. I think I know what your problem is. Your problem is one of degree and direction of the control of power.

I listened with a great deal of interest to some of the questions that Mr. Esch asked some of the witnesses here—I have forgotten who. Mr. Esch had it in his mind that it was possible to reach this situation—evidently you had it in mind—through the enforcement of existing law.

Mr. ESCH. Not fully.

Mr. MURDOCK. Now, Mr. Esch, wherever there appears in this situation a violation of the Sherman antitrust law, it is for the Department of Justice to proceed. Our facts have been turned over to the Department of Justice and there is no question in my mind but that the Department of Justice will proceed. Wherever we discovered infractions of the Federal Trade Commission's laws—the laws over which the Federal Trade Commission has jurisdiction, particularly section 5 of the Federal Trade Commission act, and sections 2, 3, 7, and 8 of the Clayton Act—we are proceeding, and will proceed, and will take every one of these cases on and carry them through. But after the Department of Justice has proceeded, with all the law's delay, and after we have proceeded, with all the delays that are necessarily inherent in the action of a commission, still there remains something over and beyond that for Congress to handle, the problem in the growth of this industry—and I want to go into that a little later. I will not attempt to go into all the matters which Mr. Colver presented, and so many of which were not answered by the packers. I want now to take up this matter of division of livestock receipts.

Mr. Armour's explanation was that each packer was maintaining his position. This is typical of the explanations that were made. It

is a rather ingenuous denial of collusion. I want to call the attention of the committee to the fact that in laying down this thundering barrage that the packers have, in claiming that they did not have a fair hearing, that they were treated unfairly by the commission, that there are two points in part 2 of our report that the packers, their attorneys, and their adherents generally side-stepped. They did not undertake to answer the Sulzberger Black Book. It is an illuminating document. They did not touch it. They avoided, with equal care, both here and before the Senate committee, the international meat pool, which I will touch upon just a little later.

The committee will remember that the commission produced a letter from Mr. Cravath to Mr. Veeder, seeking a meeting in which the percentages of his clients, the Sulzbergers, could be arranged. We presented letters which passed between Mr. Thomas Wilson and Mr. Meeker in regard to Mr. Wilson's right to buy live stock in the Omaha market. On being questioned by Mr. Decker in reference to the letters which passed between Mr. Thomas Wilson and Arthur Meeker, given on page 72 of part 2 of the commission's report, Mr. Wilson was compelled to admit that the commission correctly interpreted the letters as showing that he was trying to establish a right to purchase hogs at Omaha, but gave as his excuse that he really did not mean what he said, but he meant he had a right as an American citizen to purchase hogs on any market. The letter stands that he was actually trying to establish the right on the ground that for many years his company had maintained a salaried buyer at Omaha, and the point of controversy between him and Mr. Arthur Meeker was whether or not his company had really had a recognized buyer at that yard.

Mr. Wilson's attempt to explain away the letter written to him by his man, C. H. Hill, at Oklahoma City, stating that Morris & Co.'s representatives got sore because Wilson & Co. bid up the price 10 cents, was striking; in fact, it was no explanation at all, but an excuse predicated on the ground that the letter was written to him because of his interest in the Oklahoma Stockyards Co. Mr. Thomas Creigh, representing the Cudahy Packing Co., contended that the commission has in its possession 50 letters which, taken together, show that the Cudahy Packing Co. is fighting for its life, and implied that the commission used only selected letters. This contention on the part of Mr. Creigh can best be answered by presenting to the committee copies of all the letters which were taken from the Cudahy Packing Co.'s files. I would respectfully ask that the committee publish them as part of the public record. It makes little difference to the large stock producer whether the big five divide up the receipts at the market on a percentage basis because of mutual respect for each other's established position in the trade, or whether it is done as the result of a definite, written agreement. The results are the same. As a matter of fact, it is done as the result of a definite understanding which is reached at a conference between the representatives of each of the big five.

That the uniformity of percentages resulted from agreement is shown on pages 31 through 38 of part 2 of the commission's report on the meat-packing industry. Cravath's letter on page 31 shows

that Sulzberger & Sons Co. was to have a conference with the client of Veeder to discuss the percentage figures. The memorandum from Swift & Co., on page 35, shows that there were an arbitrary percentage figure, decided on some time after 1910, and an arbitrary percentage on cattle, hogs, sheep, and calves, decided on for each of the big five. The black book of Sulzberger shows that the percentage allotments were discussed by representatives of four of the companies. It appears that it was hard for them to agree as to what should be included in the percentages and what should be excluded. Not one of the packers who appeared before your committee denied that these meetings recorded by Sulzberger took place; neither was it denied that Sulzberger correctly recorded what took place at such meetings.

Now, it was generally denied by the packers that there was anything in the proposition that they made the market. Mr. Armour explained that on some days they do go out on the market, because the run of stock may be late in getting in, and denied that late buying is through agreement. He also asserted that late buying has no effect on prices.

Mr. Armour's position is shown in the following statement before this committee:

Mr. ARMOUR. The Federal Trade Commission laid great stress on our going out late in the morning. Their reason, as stated, was that there might be a very heavy run for that day. We know, and everybody knows, at the stock yards at 7 o'clock in the morning how many cattle will be on the Chicago Stockyards market that day. Now, our buyers and your buyers and anybody else's buyers, and it doesn't make much difference whether they go out at 9 o'clock in the morning or 10 o'clock in the morning, because they know how many cattle are going to be on the market. They would buy them on the same basis, whether they would go out at 9 o'clock or 10 o'clock, because they know there are so many cattle coming in, and they are going to have a chance at some time during the day to buy those cattle.

Mr. DILLON. It is not the purpose of the packers going together late in the day to allow the local bidders to have an opportunity to first get their share upon the market, is it? That is not the object?

Mr. ARMOUR. Oh, no. You see, suppose there are 25,000 cattle at Chicago on Monday, or 40,000, which is a good run, or if there are only 20,000 cattle, and if there is a light run of cattle, if you go early you may get the cattle, but if you go late it does not prove anything.

The above statement by Mr. Armour is true if it is conceded that the seller has no part in making the price; and that the packers determine absolutely whether they buy early or late, just what prices they are going to pay for the live stock. If the seller has a part in making the price, late buying has the effect to reduce his bargaining power. As the day wears on and his animals remain unsold, and he sees that many animals of other people are still unsold, he becomes uneasy that he is not going to be able to sell. As his uneasiness increases he is willing to take less and less for his animals. Not only will he take less, but his animals lose in weight the longer they stand in the stockyards. It has been pointed out by the commission that the producers of live stock object to late buying on the part of the big packers, and that the live-stock commission men have repeatedly protested against the practice.

Now, gentlemen, calling your attention again to part 2, it is within the last two years that practically all the commission men in Chicago, at the Chicago stockyards, participated in a round robin to the packers to stop this device of late buying. One or two of

the commission men withheld; I think, undoubtedly, they withheld through fear. I think that if any of you gentlemen who live in the western country ask any considerable number of stock shippers if they believe there is any collusive late buying, that there will be an almost unanimous verdict that they do believe late buying is a device to get the cattle at a lower price.

Mr. Armour and Mr. Morris explained the split-shipment device. In regard to split shipments the commission stated:

The term "split shipments" is used with reference to instances where producers or shippers divide their shipments between two markets. It is not the same as "split purchases" (see p. 78), which refers to cases where one packer buys a bunch of stock and subsequently divides with another packer. So closely do the big packers keep check on all shipments that they are able to detect split shipments and cause split lots to sell at the same price on different markets no matter how many packers are involved in making the purchases.

This statement is substantiated by records taken from the packers' files given on pages 85 through 89 of part 2.

Mr. Armour does not attempt to deny the facts which the commission brought out concerning split shipments, but attempts to justify the practice in the following language:

* * * When a portion of such a shipment arrives in Omaha and our buyers there (at Omaha) have knowledge of it, it is but natural and proper that they wish to know how their bid compares with the price paid for the other portion of the shipment in St. Joseph. It is untrue that there is any effort to prevent the shipper from getting a higher price at one market than he gets at the other. It is true, however, that if the buyer at Omaha should get the cattle for \$13 a hundredweight, while the man at St. Joseph paid \$13.10, their boss would want to know how his buyers came to differ so much as to the value of the animals. Likewise the comparing of notes here results in a closer standardization of grades. If the man at Omaha calls them "good" and the man at St. Joseph regards them as "prime," there is something wrong with the judgment of one of them, and only the dressing percentages will decide the true grading. It is to the benefit of the growers that a good steer in one market will be rated as a good steer in another, and "split shipments" furnish one of the best ways to keep our buyers on their toes and their judgment keen.

Mr. Armour further cites that if part of a shipment going to St. Joe should get a higher price than the part going to Omaha, the owner would send future shipments to St. Joe, and the Omaha market would lose his business.

The selfish interest of each market, therefore, is to keep informed as to prices paid in other markets, so that the different markets will not lose their patrons.

The commission showed that it is a very rare exception where a seller gets more at one market than he does at another when he "splits" his shipment. It is interesting to note that Mr. Armour admits that the information on "split shipments" is forwarded from one market to another. In this connection it should be pointed out that forwarding the information would be of little value where the animals are bought by different packers at the two markets unless this information was interchanged between them. Mr. Armour tacitly admits that the information is interchanged in his statement that "The selfish interest of each market, therefore, is to keep informed as to prices paid in other markets, so that the different markets will not lose their patrons." As a matter of fact, the purpose of the forwarding of the information is partly for the purpose of discouraging

shippers from shipping to distant markets, and to encourage them to remain as "patrons" of their nearest market.

Mr. Morris, in his statement before this committee, claimed that the packers have always supported the markets where they have an interest in the yards, and continues:

This also explains, to a very great extent, why the same prices, in many instances, are paid for "split shipments" at the various yards. These yards are jealous of their competitors—I might say, jealous of their very existence—and must have the same price paid or the market will go down. When the Swift interests find there is a "split shipment" in the St. Joseph yards, and that the other part of the shipment brought a certain amount in the yards at Kansas City, they must pay at least as much for this "split shipment" in St. Joseph as was paid for the other part of the shipment in Kansas City, or in the future this shipper will ship all of his cattle to Kansas City and none to St. Joseph. This is made perfectly clear by the telegram quoted in the report, and yet the report indicates a willingness on the part of the commission to draw improper deductions and conclusions therefrom.

It is hardly necessary to point out to this committee that when the shipper receives the same price at two different markets that he loses money on that part of his shipment which went to the distant market. Such experience necessarily discourages the shipper in sending to the distant market. The practice therefore "supports" the local market by compelling the near-by shipper to send his animals there to be bought at the prices which the big packers place upon them. The packers may defend the uniform prices for "split shipments," but they can not justify the practice in face of the facts.

Now, another device is "part purchases." Mr. Armour admitted that part purchases exist, but says they are not indicative of what the Federal Trade Commission would have one believe. That a shipment is often divided among several pens and the packer's buyer will buy one or two pens "without any consideration whatever as to the existence of more pens of the same lot," and if the other pens are bought by another packer buyer, it is no evidence of collusion, even though the same price is paid, that the commission man will not take less from Armour than from another packer.

A "part purchase," as explained by the commission, is where two or more packers each take part of a farmer's shipment at the same price. This eliminates competition in buying. The practice is taking the place of the former packer practice of "split purchases" (different from "split shipments") where one packer would purchase an entire lot or bunch of cattle and divide the animals with one or more of the other packers. The commission's report quotes letters and telegrams from the Swift files showing that Swift & Co.'s buyers were regularly reporting to L. F. Swift the part purchases made at Fort Worth, giving name of shipper, what part of the shipment was bought by Armour and what part by Swift, and the prices paid, which prices were identical except where the weight of the cattle in the two parts were very different.

Mr. Armour's explanation does not explain the "part purchase." His statement that the packer buyer will purchase one or two pens of a shipment "without any consideration whatever of the existence of more pens of the same lot" does not fit with the fact that the packer buyer makes a careful report to his superior of just how much of that shipment he bought and just how much the other packer bought, and shows that the price is the same.

If it is mere chance that Swift's buyer buys only part of a shipment without considering the existence of the rest of it, it would require ingenious reasoning to explain why he makes this careful report, and Mr. Armour does not attempt to explain it.

In the matter of the control of stockyards, both Mr. Armour and Mr. Swift held that the stockyards privately conducted were more efficient than they would be under Government supervision. I think that anyone who has spent any considerable portion of his life in public service and who has studied the question of private and public ownership approaches a question of that kind with a great deal of care. It has been my observation, as somewhat of a reformer, that reforms cost money. Reforms in legislation bring—or attempt to bring—justice, and justice sometimes costs money in its administrative features. But I do not believe that the facts in this case show that under private ownership the stockyards have been so efficiently run. Part 2 will show to the committee instances where the conduct of the yards and the state of the yards is impeached.

In discussing before this committee the question of the extent of packer control of stockyards and the effect of that control, Mr. Colver, of the commission, made these statements:

1. That the Big Five, sometimes one, sometimes two, sometimes three, and in some cases four or five, either partially or completely control 33 stockyard companies. He gave the list of these 33 yards.

2. That 16 of these 33 yard companies are jointly owned by two or more of the Big Five.

3. That these 33 yards handle 83 per cent of all the stockyards business of the United States.

4. That the big packers were not the originators of most of these yards, but frequently compelled the original owners to surrender control.

5. That instead of the big packers, as they claim, establishing these yards at "enormous cost," the packers acquired control largely by other means than by direct purchase or cash investment.

6. That the original stockyard companies gave the packers gifts in various forms amounting to many millions of dollars.

7. That in certain companies a considerable proportion of the capital stock represents water, as in the case of the Chicago Stockyards Co. and the Jersey City Stockyards Co.

8. That ownership of the yards has materially aided the big packers to control the markets in the interests of themselves and against the interests of some of the independent packers.

9. That control of the yards has enabled the big packers to effectively reduce, and in some cases eliminate, competition.

10. That control of the yards has enabled the big packers to jointly own and operate profitable yard monopolies, such as banks, cattle loan companies, and rendering companies.

11. That control of the yards is a very important factor in the domination of the Big Five in the packing industry.

Each one of these statements was supported by figures and facts and illustrated by concrete cases. I want to call the attention of the committee to the fact that the packers in their testimony here did not challenge or deny these statements, which constitute the principal argument against packer control of the stockyards. The different pack-

ers testifying here set forth various reasons why their control of the yards should not be disturbed, and referred to certain yards to support specific points, but not one of them met these general arguments or denied the facts Mr. Colver gave you and which stand unanswered.

Mr. Morris said that "the report of the Federal Trade Commission will be searched in vain for any specific case where the shipper was injured as a result of the packers having an interest in the yards." We reply that Part II of our report was not intended to cover the question of packer control of stockyards. But in Mr. Colver's statement before this committee he did show why the packers' control of the yards was not in the interest of the producer or the public, and these statements Mr. Morris has not attempted to answer.

As an illustration of how Mr. Morris completely evaded the facts, I want to call your attention again to some facts which were placed before the committee.

Mr. Colver showed on page 161 of your hearings that of the 25,000 shares of voting stock the Morris interests in 1917 controlled 15,950 shares. Instead of facing this question of actual control, Mr. Morris made this statement:

Seventy per cent of the capital stock of the Kansas City yards is owned by people having no interest or connection whatever with the packing industry.

This may be true when taking into consideration the nonvoting stock, but we were discussing control.

The packers continue to try to justify their control of the stockyards on the ground that the yards are operated efficiently.

Edward Morris, jr., before this committee, said:

One big fact stands out in connection with the stockyards and stockyard terminals, as to the report of the commission on which this bill is based, and that is, that no facts are given of discrimination and not a single instance is mentioned where the yards were not conducted efficiently and fairly and squarely in the interest of its patrons.

J. Ogden Armour said:

My position relative to ownership of the stockyards is this: As a packer I am interested in seeing the yards handled in the most efficient way possible, and it is absolutely immaterial to me as to who owns them. It is only because I fear less efficient operation and the consequent serious results that I make these comments, but I am entirely willing and ready to at once relinquish my holdings upon being allowed just compensation therefor.

Mr. Morris is evidently referring to Part II of the Federal Trade Commission's report. This report did not cover the subject of stockyards. Our report on stockyards will be issued soon.

However, I may say now that there is considerable justifiable complaint that the yards, and particularly the larger yards, are not now and have not for a number of years been operated efficiently. There is abundant evidence that some of the principal yards have been financially exploited and made to pay excessive dividends and salaries at the sacrifice of service and equipment. Good examples of this are the yards at East St. Louis, Omaha, and Chicago. The excessive earnings of the companies operating the latter two yards have already been shown this committee.

The following report made to the Omaha Live Stock Exchange by a committee of six of its members shows how inefficiently the stockyards at Omaha are being handled. This is an Armour yard and R. J. Dunham, vice president of Armour & Co., is president

of the yard company. Mr. Buckingham referred to in this report is the general manager of the yards.

I don't know, gentlemen, how we can get better evidence than to show the evidence of men who are daily in contact with these problems. It has been said by the packers that the yards are efficient. Now, here is a document which refutes that claim. This is the committee report of the Omaha Live Stock Exchange, and I ask your careful attention:

At the regular October meeting of the exchange held Friday, October 5, 1917, the following resolutions were unanimously adopted and were immediately presented to Mr. Buckingham:

"Moved, that the railroad and stockyards committee be instructed to see Mr. Buckingham and demand immediately relief from the congested conditions in the cattle yards. If such relief can not be obtained immediately, the committee shall take up the situation with Mr. Dunham at Chicago at once."

No reply having been received from Mr. Buckingham and no particular improvement in service, your committee instructed Secretary Stryker, who was then in Chicago, to arrange with Mr. Dunham, president of the Omaha Stockyards Co., for a conference with him in Chicago at his early convenience. This conference was arranged for Saturday, October 13. Mr. Dunham called vice president, General Manager Buckingham and Traffic Manager Shellberg, of the stockyards, into Chicago to be present.

At the outset President Tagg outlined in a general way the desire of the exchange and its membership to work with the stockyards company in the up-building of the Omaha market. He showed that for 12 months' period beginning September 1, 1916, and ending August 31, 1917, exchange members spent 9,191 days in the country soliciting for the Omaha market. This would be equivalent to 25 men out every day in the year above mentioned. He suggested the stockyards company employ solicitors with the view to protecting the interests of this market and preventing, if possible, much live stock being diverted to other competitive markets. He pointed out to Mr. Dunham that our yards were not large enough for the runs we are attempting to handle and the shippers to this market were losing large sums of money on account of delays in the yards. Another point made by Mr. Tagg was that we need more buying competition and suggested securing another packing house in addition to those already at Omaha. He mentioned also the serious harm which had been done the Omaha market by semiembargoes placed upon this market by representatives of the stockyards company within the past few weeks, explaining that much business had been diverted from the Omaha market to other markets on this account.

Mr. Anderson, chairman of the railroad and stockyards committee, following Mr. Tagg, outlined briefly the work of his committee during the past eight months, the agreement made between the committee and the yard company and the changes to be effected in the service. He suggested that commission men had done their part in effecting these changes, but that the yard company had seemed unable to take up their share of the burden. He pointed out benefits to all concerned on account of the new system of weighing in the cattle yards, suggesting at the same time, however, that unless the yard company shall make arrangements to take live stock away from the scales after weighing, the improvement effected by the commission men would be of little or no avail.

At about this stage of the conference Mr. Dunham made the statement that the Omaha yards represented a personal investment of Mr. J. O. Armour, who, realizing the importance of Omaha as a market center, invested his money in the Omaha house and yards as a personal venture. He, Mr. Dunham, stated, perhaps he had been partially to blame in not having kept up with the growth of this market; that it was his intention not to jeopardize the interests of the Omaha market in favor of any other market. He mentioned the difficulty of securing labor, and touched strongly on suggestions of the Government that no large sum of money be spent at this time in promoting projects that could very comfortably wait until the conclusion of the war. He again stated in this connection, however, that it was not his intention to hamper the growth of this market, and that if mistakes had been made in the past they must be remedied. He mentioned among other matters that commission men continually employed the yard company's best employees. This was answer to the fact that if the yard company paid its employees more money they would be able to keep them.

Mr. Will H. Wood next took up the conditions at the several cattle scales during the week just past, showing in detail when these scales were opened in the morning, when the first draft was weighed, when the first men showed up at the scales, the delays during the day, and, in fact, a pretty complete report of the several scales performances. He laid particular emphasis on the fact that we must have more men and more pens at the Omaha yards.

Mr. H. H. Roberts, of the committee, suggested that not only were there delays now, but that there was congestion and delay in the wintertime; that they were serious delays in delivering cattle for commission men. He made the further point that if they were more pens in the yards it would require less labor to handle the stock. At this point Mr. Buckingham suggested that there would be less delay if commission men would get their cattle from the chutes, which was their plain duty.

In answer to a question of Mr. Tagg, the secretary made the statement that while there were a number of pens in the sheep barn which had been cemented for hog yarding, there were not as many pens in the present hog yards proper as were used for hog purposes in 1890 and 1891.

The secretary also mentioned a number of improvements which could be temporarily installed; more pens on the south side of the yards, more pens to the west of the yards, temporary cattle pens in the hog yards, and the construction of additional chutes; pointing out that Omaha was not as well supplied with unloading chutes as many of its competitors.

Taken as a whole, your committee feels considerable good was accomplished. Mr. Dunham met the committee in a very pleasant manner, intimating very plainly he wanted to know if things were not going satisfactorily at Omaha. He stated that if he heard no complaints from Omaha, he might consider the market was on the down grade, but as long as complaints were coming in he knew the business men at Omaha were alive to the situation. In answer to this particular phase of the situation Mr. Anderson explained, somewhat in detail, the position of our people. He stated that every member of the exchange was back of the complaint at hand, that the membership was in earnest and intended ascertaining, if possible, if there was any remedy for the serious losses to our shippers and our membership on account of inadequate facilities and the lack of cooperation on the part of the stockyards company's management.

Mr. Dunham, in conclusion, stated that it was exceedingly difficult to do any kind of work this year, but that he expected to remedy any defects which might develop. Your committee feels that no efforts must be left neglected in bringing about a decided increase in facilities at this market and that Mr. Dunham's suggestion that he desired to be kept informed of conditions at this point be taken advantage of.

Respectfully submitted.

W. B. TAGG.
FRANK ANDERSON.
WILL W. WOOD.
H. H. ROBERTS.
A. F. STRYKER.
SAM WERTHEIM.

Now, gentlemen, that would not be conclusive on this point if that sort of a protest from men who are in daily contact with the problem had secured the remedy. As evidence that these conditions were not remedied, following this protest by these Omaha stockyards business men, we submit another report made five months later:

[South Omaha Live Stock Exchange, stockyards station, office of the secretary-traffic manager.]

FRIDAY, MARCH 22, 1918.

Mr. E. S. HAINES,

Care of Hotel Coates, Kansas City, Mo.

DEAR MR. HAINES: Inclosed you will find copy of report prepared by the sub-committee of our stockyards and railroad committee, which was read to our board of directors at a meeting held a week ago to-day.

The report carries with it so much food for reflection that the chairman of the committee asked the board of directors not to take any action on it until their next meeting, as he thought the matter should have the serious consideration

ion of all the members of the board before it was passed upon by them. If nothing happens I expect to call a meeting of the board of directors some day the coming week to present this report to them for their official action. If they approve of the report it will then go to the exchange for their action, and from the sentiment expressed among the members of the exchange I am inclined to think the report will be unanimously adopted and the officers directed to take the matter up at once with the State railway commission or the Government authorities in an effort to remedy present existing conditions.

I am also inclosing a copy of our annual report of the Omaha Live Stock Exchange, copy of which has been sent to all of our members.

Will be glad to learn what you find out about the two questions we discussed the other evening.

Yours, very truly,

W. B. TAGG, *President.*

MARCH 13, 1918.

OMAHA LIVE STOCK EXCHANGE BUILDING.

GENTLEMEN: Your railroad and stockyard committee had a meeting with the manager and superintendent of the stockyard company on March 9 regarding their service, prospective improvements, etc. Your committee maintained the position of mutual interest and desires to work in harmony, but that our members were insisting upon something tangible being done at once, and assurances given that necessary improvements would be made during the spring and summer. The manager stated that the company was doing all they could, expressed himself as being desirous of giving good service, but at the same time, said it was only a question of time before the commission men would be obliged to take all of the stock from the chutes in order to have proper service.

The stockyard company admit they do not deliver any of the hogs, but do deliver between 50 and 60 per cent of the cattle and 90 per cent of the sheep to the pens of the commission men.

The manager would not say what improvements would be made and refused to give an opinion until after his return from the western live-stock meeting in April.

We told him these conditions had prevailed for years and the business interests and patrons of this market had been put off in this and similar ways for years until the range season was upon us, when it was impossible to do anything, and after admitting that the company had ample funds, land, etc., and that he did not believe the Government would interfere with any needed improvements, he still refused to give us any satisfaction. Your committee told him of their meeting with the railroad representatives in Omaha on the 2d, when arrangements were made for the earlier arrival of the live stock at the yards. He agreed this would help them very much; however, he would not agree to deliver all of the cattle, but would do the best he could.

Your committee presented facts, figures, and statements that did not admit of argument, showing there was sufficient stock in the States actually tributary to the Omaha market to supply 50 to 100 per cent more stockyard, packing house, and buying facilities than we now have, and that because of their failure to provide these necessities this trade has been and still is diverted to other markets where the supply is not equal to their demand, creating higher prices and giving the four packers doing business at Omaha a decided, unwarranted, and unnecessary advantage.

After your committee has again gone over the situation with Mr. Buckingham, we expect to take this matter up with the president of the stockyard company, and if we do not receive the actual and bona fide relief we ask and know this market should have, we ask permission to go to the State railway commission, Government authorities, or take such other action as may seem right or necessary to secure the rights and justice for the patrons of this market and ourselves.

Very respectfully submitted.

C. A. MALLOBY,
F. ANDERSON.

I don't think that I will go into the matter of sanitation, which I have here.

You gentlemen will remember that Mr. Buckingham, vice president and manager of the stockyards, said in his testimony before you—I

think this is typical of a good deal of the packer testimony that has run through this hearing, and that is why I give it:

In addition to Armour & Co., the Cudahy Packing Co., Morris & Co., and Swift & Co. there are located at Omaha eight smaller packing companies, namely, South Omaha Packing Co., Hoffman Bros., Mid-West Packing Co., Roth Packing Co., Mayorowich & Vail, Pat. O'Dea, Higgins Packing Co., and M. Glassburg, all buying more or less live stock on the Omaha market in competition with the larger packers, and the fact that all of them, except the Mid-West Packing Co. which has just started, have been in operation for a number of years is the best evidence that they are not being interfered with by the stockyards company.

The commission did not charge that these small packers were being treated unfairly by the stockyards company. The total purchases of live stock of these eight local concerns are too small relatively to be noticed by the big packers. At the time of our examination of the Omaha market not one of these small packers mentioned was operating under Federal inspection.

Mr. Buckingham, you will remember, attempted to show that the Omaha yards are not controlled by the packers. He said:

The above facts, we feel sure, will convince the committee that the statement of ownership control of the Omaha Stockyards by the packing company is not true. Therefore the entire charge of packer control is untrue as far as the Omaha market is concerned, because the only control anyone can have of the Omaha yards is through the action of the majority of the shareholders.

The extent of control is reflected in the following facts taken from the books of the company:

In 1911 out of 58,815 shares voting 45,307 were represented by R. J. Dunham, John D. Creighton, and J. C. Sharp. The holdings of the Armour family amounted to 18,051 shares.

On December 14, 1914, out of 51,793 shares voting 39,381 were represented by R. J. Dunham, E. Buckingham, and J. C. Sharp.

At the annual meeting of the stockholders December, 1916, 56,474 shares were present; of this Dunham, E. Buckingham, and J. C. Sharp voted jointly as proxies 45,482 shares. L. F. Swift had 736, Ed. F. Swift 1,020 shares.

As a rule only some stray stockholders are present at the annual meeting, outside of the officials of the company, and the latter are, of course, controlled by Armour.

Swifts have usually their own representative.

Shareholders present at the stockholders' meeting Dec. 10, 1917.

	Shares
R. J. Dunham, E. Buckingham, and J. C. Sharp, represented jointly as proxies.....	42,594
W. F. Smith, proxy.....	4,869
Chas. Sellers, in person.....	54
L. A. Davis, in person.....	15
H. O. Edwards, representative of Swift, proxy.....	1,736
J. D. Creighton, proxy.....	236
R. C. Howe, person.....	10
J. E. Stevens, person.....	100
L. W. Spratten, person.....	101
Chas. G. McDonald, person.....	41
Ellen M. Coad, person.....	73
F. T. Ransom, person.....	250
Crofort.....	200
E. P. Peers.....	7
Total.....	50,424

The board of directors for 1917 was made up as follows:

R. J. Dunham, confidential man of Armour.

E. P. Peck, president of Omaha Grain Elevator Co.

R. C. Howe, general manager of Armour & Co., Omaha.

E. Buckingham, employee of the stockyard company; owes his position that pays him \$10,000 a year to R. J. Dunham.

J. D. Creighton, representative of the Creighton interests; they have been identified with the Omaha stockyards ever since they have been founded.

C. B. Robbins, president of Armour Car Lines Co.

Lee W. Spratten, confidential man of the president of the Burlington Railroad Co.

W. Farnam Smith, representative of the Smith interests, of Boston; they were one of the original founders of the company.

F. T. Ransom, legal adviser of the company.

In addition to the above I found that H. O. Edwards is very often chosen as a member of the nominating committee at the annual meetings of the stockholders. My understanding is that he is the general manager of Swift & Co. in Omaha.

The following letters from Mr. Buckingham and R. C. Howe to the president of the Omaha Stock Yards Co. show how the board of directors is selected.

I do not know whether I bore you gentlemen or not, but I have found this very interesting as showing how methods of control are exercised in fact:

SOUTH OMAHA, NEBR., April 30, 1917.

Mr. R. J. DUNHAM,
President, Chicago, Ill.

DEAR MR. DUNHAM: Regarding someone to take the place of Mr. Mahoney on the directory:

Aside from Mr. Wattles, who was talked of when Vic Caldwell died, the available timber is Mr. Ransom, who owns 250 shares; L. A. Davis, South Omaha, 130 shares; A. L. Reed, of the Bryon Reed Real Estate Co., and an old resident of Omaha, 150 shares; and E. P. Peck, whose wife owns 39 shares and his sister-in-law 113 shares. When we discussed the matter before it was thought inadvisable to use either Mr. Wattles or Mr. Ransom. Either Davis, Reed, or Peck will make good men. My preference naturally would be the latter for personal reasons.

Will you kindly indicate your wishes in the matter?

Yours, truly,

E. BUCKINGHAM,
Vice President and General Manager.

DECEMBER 30, 1915.

Mr. R. J. DUNHAM,
Armour & Co., Chicago, Ill.

MY DEAR BOB: Wattles called me up this morning and said confidentially, "If agreeable, I would like to take Victor Caldwell's place on the stockyards board, representing the bank here, and you know where I would stand."

I told him I would take it up with you. You know Wattles and you know where he stands in the community, and I think he would be a very valuable man on that board.

Yours, very truly,

R. C. HOWE

I should like, if I may, to get onto the proposition of live-stock slaughtered by the big packers. This feature of my reply is quite lengthy, and unless the committee will signify otherwise, I will ask leave to print.

The CHAIRMAN. The Chair hears no objection.

(The document referred to is here printed in full, as follows:)

MEMORANDUM ON PROPORTION OF LIVE STOCK SLAUGHTERED BY THE BIG FIVE

Mr. J. Ogden Armour, in his statement, January 22, 1919, before the House Committee on Interstate and Foreign Commerce on H. R. 13324 (vol. 16, pp. 1741-1742), in answer to the question what proportion of the product of all the meat animals is handled by the five large packers, said he thought it was about 40 per cent.

Mr. L. F. Swift, in his statement before the same committee, January 23, 1919 (vol. 17, pp. 2112-2113), said that the five large packers do not do over 35 per cent of the slaughtering business of the entire United States. He continued: "I am adding cattle and hogs and sheep and calves and everything all together, making a grand sum to get at it in round figures." Mr. Swift further stated that other packers, most of whom do not have Government inspection, handle 35 per cent of the volume of slaughtering business, while the remaining 30 per cent is done by the retailer and on the farms and ranches.

These estimates of the proportion of the slaughter of all animals done by the Big Five are based on a total slaughter for the whole country, which includes animals killed on farms and ranches and in slaughterhouses which have no Federal inspection. It is obvious, therefore, that the accuracy of such estimates depends upon the correctness of the figures for total slaughter of the country.

No census of animals slaughtered in this country has been made since 1909. The Bureau of the Census at that time made an enumeration of live stock slaughtered on farms and in retail butcher shops, as well as of slaughter in wholesale slaughtering establishments, including slaughterers in interstate trade. The figures of total slaughter of the country for all years since 1909 are estimates.

In 1909, and in each year following, the Bureau of Animal Industry of the Department of Agriculture has recorded the number of animals slaughtered by concerns in interstate commerce, all such being required by law to have Federal inspection of their product. The method by which the Department of Agriculture has estimated the total slaughter in the years since 1909 is to assume that the ratio of animals slaughtered in Federally inspected establishments in 1909 to the total slaughter in that year was a normal ratio and that it has therefore remained constant ever since. Thus, using cattle as an illustration, the actual total slaughter in 1909, including slaughter on farms etc., was 13,611,422 head. Of this total 7,713,807 head, or 56.67 per cent were slaughtered in Federally inspected establishments. Therefore, when in the next calendar year, 1910, the cattle slaughtered in the inspected establishments were 7,807,600 head, the Government estimate assumed that in the absence of an actual census the same ratio would apply and that this 7,807,600 head could be taken to be 56.67 per cent of the total kill in the entire country. On this assumption the total slaughter of cattle in 1910 would have been 13,377,307.

As will be pointed out later, the Department of Agriculture has recently adopted new ratios of federally inspected to total slaughter for cattle and calves.

The ratios of federally inspected to total slaughter, as shown by the figures for 1909, are as follows: Cattle, 56.67 per cent; calves, 33.59 per cent; sheep, 77.08 per cent; and swine, 58.99 per cent.

The assumption that the 1909 ratio was normal and constant has no basis in experience because Federal inspection did not become operative by law for all interstate slaughtering business until 1906, and consequently the census of 1909 was the first in which this ratio was known. It can at most be said that, in the absence of any better method, the Government estimate is a reasonable one for the years immediately following 1909; but it can not be said that the 1909 ratio is a safe basis for the recent estimates of total slaughter several years later, when the world war has been producing great but not definitely measured changes in agricultural economics.

The commission for this reason alone would reject any figure of proportion of control by the big five based on this estimated total slaughter. However, the following statistical statements are inserted to show what the estimated

proportion of big five to total slaughter would be, if the ratios of 1909 were accepted as correct for the calendar year 1916, this being the most recent year for which the commission has figures of total slaughter in big five plants.

The following statement shows the number of each kind of meat animal (except goats) slaughtered in federally inspected plants in the calendar year 1916, as reported by the Department of Agriculture. The estimated total slaughter for the whole country is derived by applying to these figures the 1909 ratios as given above.

Total slaughter of meat animals for the calendar year 1916, as computed from 1909 ratios of Federally inspected to total slaughter.

Kind of animal.	Number slaughtered under Federal inspection.	Ratios for 1909.	Estimated total slaughter.
Cattle.....	8,310,458	56.67	14,664,651
Calves.....	2,367,303	33.59	7,047,642
Sheep.....	11,941,366	77.08	15,492,171
Swine.....	43,873,703	58.99	74,374,814

The following statement shows the number of animals of each kind slaughtered by the big five, as reported to the Federal Trade Commission, and their per cent relation to the estimated total slaughter of the country as computed on the basis of the 1909 ratios.

Estimated proportion of slaughter by the big five on basis of 1909 ratios.

Kind of animal.	Estimated total slaughter.	Number of head slaughtered by the big five.	Estimated per cent slaughtered by the big five.
Cattle.....	14,664,651	6,535,332	44
Calves.....	7,047,642	1,654,942	23
Sheep.....	15,492,171	10,518,874	67
Swine.....	74,374,814	25,737,209	34

Presumably the estimates of Mr. Armour and Mr. Swift were based on estimated total slaughter of the United States as computed from the 1909 ratios, as shown in this statement. The Department of Agriculture, however, as already stated, no longer accepts the 1909 ratios as correct for cattle and calves. Mr. Louis D. Hall, specialist in marketing live stock and meats, in a letter under date of August 1, 1918, says:

"It is assumed, however, that during recent years the ratio of cattle and calves slaughtered under Federal inspection has increased very considerably, as the country butcher has been unable to compete as well as formerly with the large slaughterers, owing partly to the greater distribution of inspected establishments and the extension westward of facilities for marketing stock.

"From studies made by the Bureau of Animal Industry revised ratios have been worked out for cattle and calves for the last five years and have been adopted in making the calculations of the total slaughter. The estimated ratio of cattle slaughtered under Federal inspection in 1916 is 69.1 per cent and of calves 41 per cent."

The estimated total slaughter of cattle in the United States, computed by applying 69.1 per cent to the 8,310,458 cattle slaughtered in Federal inspected plants, is 12,026,712, whereas, as shown above, on the basis of the old 1909 ratio of 56.67 per cent the estimated total is 14,664,651. If this new estimate be taken, it will be found that the 6,535,332 cattle slaughtered by the big five in 1916 amounted to 54 per cent of the total instead of 44 per cent, as computed on the basis of the 1909 ratio. Similarly, by applying the new ratio of 41 per cent to the number of calves slaughtered in Federal inspected establishments in 1916 (2,367,303) a new estimated total calf slaughter of

5,773,909 is found. On the basis of this new estimated total the big five slaughter of 1,654,942 in 1916 amounted to 28 per cent, instead of 23 per cent, as computed on the basis of the 1909 ratio.

It will be noted that the percentages computed from the estimated totals based on the new ratios are materially higher than those computed on the basis of the 1909 ratios. However, the commission does not accept either basis as accurate for estimating the proportion of Big Five control. The ratios of Federally inspected to total slaughter, as given by the Department of Agriculture, are doubtless useful for purposes of its own; but the commission does not believe that these figures can be used as a satisfactory basis for estimating the proportion of Big Five control of total slaughter of meat animals in the United States.

But even if the actual total slaughter of the country were known definitely, a comparison of this total with the slaughter of the Big Five would not be significant as a measure of their competitive control of the industry. The fact that the farmer has an opportunity to raise and slaughter cattle for his own use or for the local use of a neighboring town or village has little bearing on the question of the monopolistic position of the big packers as regards their control of the prices which the great majority of our city population must pay for meats.

It is not tenable to say that the big packers have no monopoly so long as the farmer continues to kill some of his own animals and eat the meat produced from them. Animals that the farmer sells to go into the course of trade, other than merely local trade, may or may not be physically handled by the Big Five, but the influence which these great packers exert toward stifling any aggressive competition which looks toward increasing business by fairly underselling them affects even local markets, and in the long run to the disadvantage of the consumer.

Another objection to the use of the percentages of the number of animals slaughtered by the Big Five, even if based on accurate totals, lies in the fact that the number of head gives no exact measure of the total weight of the animals slaughtered, or of the dressed weight of the carcasses. These figures, if available, would of course give a more adequate basis for measuring the proportion of the total amount of meat consumed in the country which is handled by the Big Five than is afforded by the percentage of the total number of animals slaughtered by them.

When I came in this morning Mr. McChord was under examination in the matter of the private car lines. The packers testified before your committee that the small packer is on an equal footing with the large packer in the supply of refrigerator meat cars. I have a case pending before me, as commissioner, in its primary stage, and because it is in its primary stage I had some doubt about bringing it up here to-day, but I think I shall do so, because it touches vitally upon some of the questions that Mr. Esch put to Mr. McChord this morning. I am quoting from memory only, but I think my memory in this is exact.

The Armour Car Line Co. was a subsidiary of Armour & Co. The Armour Car Line Co. had exclusive-use contracts with the main-line railroads leading out of the fruit sections of the southeastern part of the United States to the great markets. An attempt was made before the Interstate Commerce Commission to correct a condition where the service was poor and discriminatory. As Mr. McChord recited this morning, that case finally reached the Supreme Court, Mr. Esch, and failed.

There was then formed the Fruit Growers' Express. Now, Mr. Esch, up to this point I want to call your attention where the law had failed. I do not think through any failure on the part of the administration; I do not think it was any dereliction upon the part of the Interstate Commerce Commission, but for the reason the law did not specify this company as a common carrier it failed.

The Fruit Growers' Express was formed. The Armour Car Line Co. passed. The members of the Armour family bought the Fruit

Growers' Express, paying for the Fruit Growers' Express in exact proportion that the members of the Armour family held stock in Armour & Co., so that the Armour Car Line Co., which was a subsidiary of Armour & Co., had passed, and there had come into existence the Fruit Growers' Express. The exclusive-use contracts, which means that those shipping fruit out of that part of the United States shall use these cars; that this company has the exclusive use of the refrigerator cars on those lines, the Fruit Growers' Express, before the Armour Car Line Co. went out of existence—acquired its exclusive-use contracts.

Now, I think that an exclusive-use contract is against the law, and I believe there is a remedy in the law for that, Mr. Esch, and that will be applied. But what about the application of section 7 of the Clayton Act as applied to that acquisition of stock? Section 7 of the Clayton Act says that when a corporation acquires stock in another corporation so as to substantially lessen competition, it shall be subject to correction by law. But here is a case where an Armour & Co. subsidiary passes, and here is a new company, the Fruit Growers' Express, which appears simultaneously.

Now, my observation of the private car-line proposition in the packing business is this, and it lies at the root of this whole question: It is a question, gentlemen, of power. If there is lodged in Mr. Sims the power to inspire fear, to command special privileges, to get the subservience of all surrounding elements and appurtenances of the business, Mr. Sims is going to enjoy a special privilege.

I have got something bearing on this car-line question right along that line which I should like to present, even at the risk of boring you a little.

Mr. Esch. Right in that connection I will read from the private car-line report, which confirms your statement in this:

Armour & Co. controls the Fruit Growers' Express under the following conditions: The stockholders of the Fruit Growers' Express, except directors' qualifying shares, are the same as the stockholders of Armour & Co., and they hold their stocks in the same proportion as the stockholders of Armour & Co. hold stock in that company. It is insisted that the fact that the stockholders of the two companies are the same does not make one the subsidiary of the other, as stated in the report proposed by the examiner. Technically, this is true; but the fact remains that the Fruit Growers' Express is controlled by Armour & Co. The offices of the former are at the Union Stock Yards, in Chicago, in Armour & Co.'s building.

Then again:

In other words, the three companies are controlled by Armour & Co. and have taken over the business formerly done by Armour car lines. The Fruit Growers' Express leases its cars to carriers for the most part on agreed bases and performs refrigeration service rates named in such carriers' tariffs.

Mr. MURDOCK. That is what I had in mind, I think.

Now, hear some of the smaller packers, not so small either; here are the independents and their views about this car proposition. I will read the following letter:

WATERLOO, IOWA, *June 27, 1918.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN:

* * * * *

Regarding our difficulties in the way of securing proper refrigerator cars in which to ship our products, we have considerable trouble not only in keeping

a sufficient number of cars on hand for loading but those which are furnished us are, as a rule, very dirty, in poor repair, and at times entirely unfit for our use.

The expense to us of cleaning and preparing refrigerator cars for shipment runs from \$7 to \$10 per car. This, of course, is exclusive of icing. The big packers have their own private cars and keep them in good repair. We tried using private cars, renting them by the month, but found it was too expensive and very unsatisfactory, owing to our inability to secure their prompt return to us when empty.

Switching facilities to and from our plant to the various railroads in Waterloo have not always been satisfactory, due, we believe, in a great part to lack of cooperation among local railroad men, a condition which is hard to overcome.

Cars of live stock are sometimes allowed to lie on interchange tracks an unreasonable length of time before switching to our plant. This causes a big shrinkage in weight, which we are compelled to allow our shippers.

This trouble could now be overcome by placing all the railroad yards here under a central control, the switching service being governed from one office. We trust this information will be of use to you.

If there is anything further along this line you desire, please advise us.

Yours, truly,

THE RATH PACKING Co.,
C. A. HEATH.

I want, if I can, without reading, to show the difficulty of the independent packer with his cars. Not particularly for the purpose of showing he has difficulty, but for the purpose, Mr. Winslow, of showing that he lacks the power to get correction which the big packer has, because he lacks the power to inspire fear. In that connection I wish to read the following letters:

MORRELL REFRIGERATOR CAR Co. (Dissolved),
T. HENRY FOSTER, *Trustee*,
Ottumwa, Iowa, April 17, 1918.

Mr. W. H. REEVES,

Federal Trade Commission, 826 Federal Building, Chicago, Ill.

DEAR SIR: On your recent visit you requested that we give you a list of our refrigerator cars which have been misused by the carriers. We have had so many cases of this kind during the past winter that we hardly feel it necessary to give you a full and complete list, but will give you a few of these cases which will give the commission an idea as to the difficulties under which we have had to conduct our business during the past several months:

MRX 5438 shipped from Ottumwa January 3, destined Albany, N. Y. Car should have been returned to Ottumwa, but was diverted to Kansas City by the Chicago & Alton Railroad, where same was loaded by one of the packers at that market. Car was finally returned to Ottumwa during the early part of April.

MRX 5226 shipped December 17, Rock Island care of Minneapolis & St. Louis to Marshalltown, Iowa, this being one of our peddler car runs. Car loaded by some shipper, either on the Minneapolis & St. Louis or Chicago & North Western (we have not been able to learn definitely). The next information we have on car shows it was loaded at South Omaha, January 22, over the Rock Island with flour for New York City. After many requests and considerable expense we succeeded in getting car back to Ottumwa the early part of April.

MRX 5125 billed out by us on January 18th to New York City via Pennsylvania Railroad. Car instead of returning to Ottumwa was set into the yards at Chicago, where it was loaded East by one of the Chicago packers. Returned to Ottumwa April 16.

MRX 5249 shipped January 3 to Troy, N. Y., via New York Central was returned to Chicago, where same was loaded by one of the Chicago packers on February 23 for New York City. Car returned to Ottumwa April 15.

MRX 5302 loaded by us on December 1 at our Sioux Falls, S. Dak., plant, routed Illinois Central to Tennessee. Car was refused by the Illinois Central on return movement, reaching Sioux Falls empty on April 2. We are unable to get a full and complete record of handling of this car while on the Illinois Central, but understood it was under load a good part of the time.

MRX 5322. This car moved into Chicago over the Chicago, Burlington & Quincy empty February 16. Was not forwarded until March 25. Are not at this time informed as to the cause for this detention in Chicago on the Chicago, Burlington & Quincy.

MRX 5106, loaded by us on December 12 to New York via Chicago, Burlington & Quincy care Erie. Car was diverted by the Chicago & Alton to Kansas City, where it was loaded on February 25 to New York, routed Chicago & Alton-New York Central. Car has not yet been returned to us.

MRX 5115, loaded by us on December 12 to New York via Chicago, Burlington & Quincy, Michigan Central, New York Central. Car was diverted on the return trip by the New York Central to Kansas City, where it was loaded by some other packer on February 14. We are not at this time informed as to destination on routing of car, nor who loaded it. Car has not yet returned to Ottumwa.

MRX 5441 left Ottumwa January 4, routed New York Central to Utica, N. Y. Car, instead of returning to us as it should was delivered to one of the packers in Chicago, who loaded same to Boston, one of our employees finding it in the Boston yards, who found on investigation that it was for one of our competitors at that market. He took it up with them and asked that they unload immediately and return to us. Instead of handling in this manner, however, they reloaded same to Augusta, Me. We are unable to tell you the present location of car.

MRX 5623. This car left Ottumwa July 23, routed Wabash and Louisville & Nashville, to Birmingham, Ala. Car was used for a switch movement at East St. Louis from July 24 to August 17. Our next record shows that it was loaded in St. Louis by some one for some point on the Western Pacific. Car returned from that trip, reaching Kansas City on December 18. We can only assume that it was loaded at Kansas City, as our next record shows on hand at Fort Dodge, Iowa, February 7; the next record shows loaded at United States yards, South Omaha, for some point in the East, having been misused by the Illinois Central. We are pleased to report that the car returned to Ottumwa April 15. You will note this car was away from Ottumwa for nearly nine months.

We also attach hereto copy of letter received this morning from the T. M. Sinclair & Co. (Ltd.), Cedar Rapids, Iowa, which is self-explanatory:

We have sent numerous telegrams, written innumerable letters, and had personal conversations with railroad representatives; taken the matter up by letter telegram, and personal interview with the Railroad Administration, United States Food Administration, all of whom have promised their assistance in this matter, but the fact remains that the railroads still persist in misusing our equipment, although we are positively denied the privilege of using other packers' privately owned refrigerator or tank cars without authority from the owner. We are not suggesting that the railroads are willfully discriminating against us in this matter, but the fact remains that our competitors have been permitted to use our equipment during the past winter, while we have been short of cars on many occasions and the operation of our business interfered with to that extent.

Yours, very truly,

T. H. FOSTER, *Trustee.*

There are a number of other letters of similar character from other independent packers which I desire to insert in the record.

(The documents referred to are here printed in full, as follows:)

JACOB E. DECKER & SONS,
Mason City, Iowa, April 23, 1918.

FEDERAL TRADE COMMISSION,
Chicago, Ill.

GENTLEMEN: Attached hereto you will find a list of specific instances of misuse of our equipment by the carriers. The instances referred to cover only a recent period.

In connection with the misuse of equipment we also attach hereto several telegrams showing that the carriers expect the owner of the equipment to pay for answers to telegrams tracing the equipment that has been misused. This means that in addition to the inconvenience suffered through misuse of equipment the shipper is put to the expense of tracing his cars by telegrams, and carriers will not even bear their share by answering the telegrams paid, which is very unfair

to car owners. In cases of misuse the carriers to be fair to the car owners should pay for the telegraph tracers both ways.

The cars this company own are equipped for handling dressed beef and fresh meat, while merchandise and perishable products commonly hauled in the railroad companies' provision cars can be handled in these dressed-beef or fresh-meat cars, fresh meat can not safely be handled in merchandise cars or the railroads' refrigerator cars, therefore, if a packer's dressed-beef cars are not returned to him he can not move his fresh meat, as a railroad-owned car can not be substituted. A packer does not own his cars simply for the reason that he desires to own the equipment that he uses, but he is forced to it, as the carriers will not furnish him cars of the kind necessary to transport dressed beef and fresh meat. In addition to furnishing cars for his own use, a packer is required to furnish approximately 25 per cent more than his actual needs, due to the fact that the carriers have this number of cars in their service that are the property of the packer, which represents a loss to the shipper.

Yours, truly,

JACOB E. DECKER & Sons,
By R. L. ELLIS,
Traffic Department.

INSTANCES OF MISHANDLING JACOB E. DECKER & SONS' EQUIPMENT.

DMRL 2410: Shipped to Brooklyn, N. Y., December 22, 1918, via M. & St. L. C. & N. W., I. H. B., N. Y. C. Returned to C. & N. W. empty. C. & N. W. sent to G. B. & W. Ry. Co. C. B. & W. loaded with potatoes for Camp Gordon.

DMRL 2412: Shipped to Detroit, Mich., February 9, 1918, via M. & St. L. C. & N. W., I. H. B., M. C. Returned to C. & N. W. empty. C. & N. W. loaded to C., St. P., M. & O. C., St. P., M. & O. loaded back to the C. & N. W. C. & N. W. delivered to E. J. & E. Up to date car has not been returned to us.

DME 2302: Shipper to Davenport, Iowa, January 12, 1918, via M. St. L. C., R. I. & P. Car was loaded on the C., R. I. & P. and up to this date (April 22, 1918) car has not been returned to our service.

DME 2305: Last loaded out of Mason City on the C. & N. W. C. & N. W. delivered to G. N. February 22, 1918. G. N. loaded to C., B. & Q. point. C., B. & Q. loaded to Baltimore. Up to date (April 22, 1918) car has not been returned to us.

DME 2300: Last reported I. H. B. to Mich. Cent., January 22, 1918. No record since.

DME 2309: Last reported Wiggins Ferry to Mo. Pac. Ry., February 2, 1918. This car has not been in Mason City for nearly six months.

DME 2310: Last reported M. & St. L. to Ill. Cent., February 27, 1918. Car destined Chicago, Ill., loaded on Ill. Cent. and has not been returned to Mason City to date (April 22, 1918).

DME 2315: Last reported B. & M. to N. Y. C., February 25, 1918. Car has not been returned to Mason City to date (April 22, 1918).

DME 2316: Last reported N. Y. C. & St. L. to N. Y. C., January 29, 1918. Car has not been returned to Mason City to date (April 22, 1918).

DME 2317: Last reported Wiggins Ferry to Mo. Pac. Ry., February 15, 1918. Car has not been returned to Mason City to date (April 22, 1918).

DMRL 2406: Shipped to Birmingham, Ala., March 7, 1918, via M. & St. L. Wab., L. & N.; returned to Wabash empty April 9. Not returned to Mason City to April 22, 1918.

DMRL 2413: Shipped to Philadelphia, Pa., March 6, 1918, via M. & St. L. C. G. W., I. H. B., N. Y. C., P. & R. The N. Y. C. delivered car empty to Chicago Junction (April 3, 1918) instead of returning to I. H. B. for home route. Car has not been returned to Mason City up to date (April 22, 1918).

DMRL 2403: Delivered to B. & A. for Boston on April 9. Not returned to N. Y. C. up to April 22. 18 days already on B. & A. line.

DME 2319: Shipped by us to Baltimore, Md., October 6, 1917. Routed M. & St. L., C. & N. W., I. H. B., B. & O. Not returned to Mason City until April 14, 1918.

IOWA PACKING Co.,
Des Moines, Iowa, April 15, 1918.

FEDERAL TRADE COMMISSION,
Chicago, Ill.

GENTLEMEN: This has reference to our peddler and meat cars, which we were talking about when you were here—the way they have been handled by the different carriers.

The following cars, leased by us and billed to Des Moines for our use over the Rock Island, have, to date, not shown up at our plant available for our loading.

NYDX 3401, ordered by the Missouri River despatch people Chicago to Grand Trunk to be turned over to Rock Island, carded Des Moines, Iowa, for our service February 14; car not here yet.

NYD 3404 and 3410, turned over to the Rock Island, Chicago, on February 7; not here yet for our service.

NYDX 3621, carded to us over the C. N. W. about February 14, not here yet; 3622, which was carded same route to us, arrived March 15.

NYDX 3639, carded to us over Rock Island February 6, date delivered to them in Chicago; this car never arrived at our plant until April 1 or 2 for our service, almost 60 days; we are charged with a rental of \$1.16 2/3 cents per day on this car, or for 22 days in February and 31 days in March, this car costing us better than \$60, and the car never set to our plant once.

A tracer was put out by the Missouri River despatch people in letter to us dated March 25 shows this car 3639 at Chicago, on Rock Island, March 16.

A tracer on NYDX 3410 in March we are advised in above letter was delivered by the Burlington to Great Northern at Minneapolis Junction March 17.

NYDX 3404, delivered by Rock Island to N. Y. C. at Chicago March 3, 1915.

NYDX 3401, Grand Trunk, Port Huron, westbound March 23.

NYDX 3428 loaded to Burlington, Iowa, over C., B. Q., fresh meats, March 5; car boarded on each side return to Iowa Packing Co., Des Moines; in spite of this the above tracer shows this car billed Omaha to New York, March 22; never came back to our plant.

NYDX 3438, loaded to Davenport, Iowa, Rock Island, by us with fresh meats March 4; the above tracer shows this car delivered to N. Y. C. lines, Chicago, March 17, never having returned to our plant after being loaded to Davenport, although boarded on both sides to us at Des Moines.

NYDX 3442, loaded by us to Minneapolis with fresh meats on March 9; the tracer letter sent us March 25 shows this car on the Penn. R. R. March 21; car not returning to our plant, and at the present writing still out somewhere.

We find NYDX 3635, loaded by us to Cedar Rapids, Iowa, over Northwestern Line, and tracer referred to shows this car at St. Johns Park, to Utica, N. Y., under load, and our rental bill on this car is better than \$70, while we had the use of the car to Cedar Rapids only from here, the carrier allowing other use of it to be made after reaching Cedar Rapids; car still out.

This will give you a very good idea of how our leased equipment is handled by the different lines, and while there are several other delays and mishandling, the ones referred to in this letter are some of the worst.

It proves an expensive proposition to us, when we receive a car about a month after it is billed or turned over to the carrier at Chicago, then get one load in it to some point and have the car out another 60 days perhaps before we get it back available for our service.

We are certainly entitled to a better handling of our equipment when empty than we have been getting, by far, as we are giving the different lines a lot of business in and out of this city, with the business increasing daily almost.

If there is any way whereby the commission can or sees fit to give us their much-needed assistance in this matter, we surely will appreciate it very much.

Yours, truly,

IOWA PACKING Co.,
Traffic Department.

(Letter written by A. R. Pendarvis, but mailed unsigned.)

Mr. MURDOCK. Now, here is what I want to bring out to the gentlemen of this committee. I have been in politics a long while, and I know that every gentleman around this table is in politics; I know that he is dependent in his public career upon the suffrages of a

majority of the people in his district. The majority of the people in every one of your districts believe in an equality of opportunity in this country. They do not want anyone to have an advantage over another.

You have heard, and I will print in addition to what I have read to you, the troubles of the comparatively little fellow, and little only by comparison—he is little because some of the packers I have referred to are powerful in comparison.

Here is a letter dated February 5, 1917, to Mr. Dalrymple, vice president, Grand Trunk Railroad system:

DEAR DAL: I was going to talk to you about the matter I wired you on, but not being able to get to Montreal I inclose herewith a report of the misuse of three of our cars, 7304, 20278, and 12880.

You will note what they did with them at Toronto, let Davies load all of them; and we are so desperately short of cars we can not possibly consent to this misuse of them.

Yours, respectfully,

SWIFT & Co.

That letter meant business. That letter was not from the small man; it was from a man with power and it gets a reply. What is the reply? It is as follows?

[Grand Trunk Railway system, Montreal, Quebec.]

NEW YORK, *February 9, 1917.*

Mr. A. R. FAY,
Care of Swift & Co., Chicago, Ill.

DEAR SIR: Misuse of Swift Refrigerator Transportation Co.'s cars. I have yours of the 5th and in reply beg to state that we have no excuse to offer for the misuse of the equipment referred to. Same was positively in violation of instructions issued. and, were it not for the difficulty in maintaining our organization, by reason of shortage of labor, which is sufficiently serious to appertain to even one or two men, the parties responsible for the misuse in this case would have been discharged.

Our general superintendents have been told that a repetition will mean the removal of the employee responsible for the misuse, whoever it may be.

Yours, truly,

J. E. DALRYMPLE, *Vice President.*

I now come, gentlemen, to the international meat pool. Here is a pool that has grown up in the United States until it is not content to remain in the United States, but spreads out over the world, and in the reply that I shall make under the subhead of "International meat pool," I will again point out to the committee that where the packers did not avoid this subject entirely they answered erroneously.

On page 27, part 2, of the commission's report on the meat-packing industry, it is charged as follows:

That Swift & Co., Armour & Co., Morris & Co., and Wilson & Co. (Inc). through their subsidiary and controlled companies in South America, combined with certain other companies to restrict and control shipments of beef and other meats from South America to the United States and other countries.

This statement remains unshaken. The packers, in uttering their defense, have admitted the existence of the pool to restrict and control shipments of beef and other meats to other countries, but concerning the specific charge of a combination to restrict and control shipments to the United States they have been strangely silent.

They issued a public statement of defense which was printed in the Congressional Record, October 3, 1918, page 11991, and which reads as follows:

Ships commandeered: The facts are that at the time of outbreak of the European war practically all refrigerator ships capable of transporting fresh frozen meats were of British registry and sailing under the British flag. The English Government commandeered all such refrigerator space and used it in transporting fresh meat to supply her civilian population and the armies of the allies. The British Government had contracts with each of the local British and American packers transacting business in South America and allotted certain definite space in these boats to each of the packers. The amount of space so allotted automatically and definitely fixed the percentage or volume of business which each of the packers were able to transact from South America. All this was done with the sanction of the British Government, and under these circumstances the meeting referred to could not possibly have been in violation of any law of this country, nor does it afford a proof, circumstantial or otherwise, of the charges made by the commission.

Thus the chief corroborating circumstance offered by the commission is exploded.

This line of argument directs the attention away from one of the real points at issue. It purports to answer evidence quoted from Sulzberger's Black Book, printed on page 34 of the summary of the commission's report and on pages 102 and 103 of part 2 of the report, where it is shown that on June 4, 1914, two months before the outbreak of the European war, a meeting was held in Armour's office and the apportionment of meat business between South America and the United States was read and discussed by participants in the pool. Yet the defense above quoted speaks of conditions at the "time of the outbreak of the European war." It would lead the public to believe that all this South American combination took place under the sanction of the British Government at the time it commandeered the refrigerator ships; that it all came about in order to feed England's civilian population and the armies of the allies. But the evidence adduced by the commission shows that the combination had existed for years before the war. The meeting to which reference is made, as stated above, was held June 4, 1914, two months before England went to war, and the percentages allotted at that time were for shipments of beef to the United States, not to England. Surely the packers would not try to make up believe that this was done to feed England's "civilian population and the armies of the allies" and that a combination of American packers to restrict and control beef shipped to the United States "could not possibly have been in violation of any law of this country." Yet that is what they seek to tell the public and the United States Congress.

They hold, furthermore, that the fact that they met and agreed to restrict and control shipments to this country by means of apportioning the business "does not afford a proof, circumstantial or otherwise, of the charges made by the commission." This is strange and inconsistent reasoning in the face of the facts—a mere denial. And then as a climax to this remarkable piece of reasoning they tell us that "thus the chief corroborating circumstance offered by the commission is exploded." A statement entirely without fact, for the record of this meeting shows that:

1. These packers formed a combination to restrict and control shipments of beef from South America.

2. Such shipments were not for England's civilian population and the allied armies, but for the United States.

3. Such a combination violates the Sherman Act which is a law of this country.

4. This meeting affords proof of the charge by the commission that this pool is a violation of the law of this country.

Unfortunately for the success of the packers' defense the commission has been able to present the written record to show that their combination has existed for years, and the packers can not escape the charge by "passing the buck" to the British Government and seeking in it a palladium of protection for their iniquity by claiming that this combination was made as the result of an effort to help feed England's civilian population and the armies of the allies.

Swift & Co. in a statement issued to the public and printed in the Congressional Record, August 19, 1918, said:

So far as the division of foreign business is concerned, it is true that the large American packers, together with certain foreign companies, have had arrangements for years providing for the proportion of total shipments that each should carry between South America and England. Such a division of business was not only justifiable because it helped to make more regular receipts of perishable meats in England, but the arrangement is countenanced by British law, and has nothing to do with the problem of trade restraint in the United States. Furthermore, this arrangement is similar to the form of cooperation specifically permitted by the recent Webb bill, which is intended to encourage exportation on the part of competing firms in the United States.

Here we have the admission that the combination exists for shipments from South America to England and the justification is based on economic and legal grounds. But what is said of a combination made to apportion shipments of meat into the United States? Not one word.

Yet on pages 102-103 of its report, the commission has presented Germon F. Sulzberger's memorandum of this meeting held in Armour's office, June 4, 1914 (two months before the outbreak of the war), at which were present Messrs. White, of Armour & Co.; T. E. Wilson, then president of Morris & Co.; Edward Swift, and Germon F. Sulzberger. Sulzberger writes in part:

As regards mutton for the United States, this is entirely unlimited.

Regarding beef to the United States, it was understood that Lamport & Hall would give Sansinena space equal to the River Plate (River Plate Fresh Meat Co. (Ltd.)) space.

I stated that the United States shipments as arranged figured about as follows, which figures were made note of:

	Per cent
La Plata (Swift)-----	32.2
Uruguay (Swift's Uruguay plant).	
La Blanca (Armour and Morris)-----	23.0
River Plate (River Plate Fresh Meat Co.)-----	11.9
Sansinena, Uruguay.	
Smithfield & Argentine (Smithfield & Argentine Meat Co., Ltd.)-----	11.0
Nelson (James Nelson & Sons, Ltd.)-----	11.9
F. A. C., Frigorífico Argentino Central (Sulzberger)-----	9.7
Total-----	100.0

I stated in reference to these figures that there would be some change on account of Sansinena not being included.

I stated we were not satisfied with our figures, which they explained, however, were all that could fairly be asked.

G. F. S. (Germon F. Sulzberger.)

Can anyone after reading this record agree with the packers that it does not "afford a proof, circumstantial or otherwise, of the charges made by the commission"?

Will Swift & Co. still claim, in the face of this, that "the arrangement has nothing to do with the problem of trade restraint in the United States"?

Here is a clear, unequivocal statement of a pool in which American companies participate, and the apportionment of shipments to the United States is given. It is not to be wondered at that these packers lodge the issue and are silent on this point of the combination.

Swift & Co., in its statement above quoted, calls attention to its belief that shipping in combination from South America to England is "similar to the form of cooperation specifically permitted in the recent Webb bill," but it fails altogether to state that while the Webb bill permits combination of American concerns for the purpose of exporting, it in no manner permits American companies to combine to import from a foreign country into the United States, and that is what these American members of the combination are doing. The Webb bill concerns itself only with exports from the United States and has nothing to do with imports. To refer to it as Swift & Co. have done is merely to beg the question and juggle with a name. There is no question as to the existence of this monopoly or that the commission has shown the proofs of it, and that it, like all other unregulated monopolies, abuses the power which it has is evidenced by the quotation from the president of a committee appointed by the Argentine Chamber of Deputies to investigate the cost of necessities, given on page 106 of the commission's report. It is pertinent to reproduce it in this connection. It reads as follows:

They [the combination of packing companies] suppress real competition, maintaining it only in appearance; and they determine by common agreement the prices which are to be paid to producers, reserving to themselves the right to sell at the highest price possible in order to obtain enormous profits, which do not remain in the country. Thus it is that these freezing companies have been able to show in their latest balance sheets more than 100 per cent profits; that is to say, that in a single year they have made more than their capital. * * * Here the freezing companies contract with the foreign purchaser, who is to-day, owing to the circumstances of the war, a single party, since the allied Governments have concentrated their purchases in a central office, and, having made their agreements at prices which they raise as high as possible, they purchase the live stock from the producers, imposing upon them the law of the strongest.

The conclusions of the commission relative to the international pool remains unchanged, based on the submitted evidence. It has carefully gathered and presented the facts; it has shown that these packers are shipping meat to this country under an agreement to restrict and control; it has presented the very percentages of the apportionment of the business. The testimony of the packers themselves substantiates in part the charges which are made. In no part has it been able to refute them.

Gentlemen, I should like, if I may, to dwell on the question of profits, and in that connection I submit herewith the following in regard to the packers' profits.

(The data referred to are here printed in full, as follows:)

GENERAL STATEMENT AS TO PACKERS' PROFITS.

A study of the profits of the five chief packers from a variety of angles over a period of 18 months adduces the following summaries:

I. Total profits on all lines of business, as shown in the several annual financial statements of the packers and supported by the books of account, do not, in most cases, reflect with even reasonable accuracy the total corporate earnings of any given fiscal year. Therefore, in discussing profits hereafter, a large element of estimate must be taken into consideration.

II. Profits per head of cattle, as publicly reported by the packers from time to time, are understated in that these figures do not comprehend profits from by-products of beef animals.

III. Profits, as shown on the books, covering specific animal products or groups of products in a given department are not accurately stated in that the packers have not an exact cost system upon which to base accurate departmental profits. Failing such a cost system, it is impracticable for the packers to determine the actual profit per pound on beef carcasses or other meats sold. In respect to nonlive-stock products and business, the profits as reported are more dependable on the whole, but instances have been found where these earnings are open to question.

IV. The rates of profit on the stockholders' equity or net worth, based on the packers' own figures of earnings, inaccurate as they are, have averaged nearly 20 per cent in the past four years, or nearly three times the rates which were being earned in the years immediately preceding the European war.

V. The packers' administrative expense accounts carry a great variety of legal, legislative, and political charges which can not be classed as legitimate costs of operation, and which operate in a greater or lesser measure to depress total earnings.

VI. The total estimated profits of the packers have been from time to time materially lessened by the small profits or even actual losses sustained in entering new lines of business. These initial losses are usually overcome within a reasonable period when the new business has been consolidated and established, but in view of the fact that the packers are continually entering new fields, total profits must sustain a running burden on this account.

EVIDENCE SUPPORTING THE FOREGOING SUMMARY.

It is not possible in a summary of this nature to adduce all the evidence in hand supporting the general statements outlined above. There will be before the committee, therefore, only certain outstanding facts bearing on the

I. TOTAL PROFITS ARE NOT ACCURATELY REPORTED BY THE PACKERS.

(a) *Inventory values.*—The pricing of inventories—particularly when the relative value to other assets is as great as in the case of meat packers—is the most important bearing upon the determination of profit. The accounting principle for such pricing is "cost or market, whichever is the lower." On the products derived from slaughtered animals, the packers have no cost figures available because no cost system has ever been developed for the packing industry. Accordingly, inventories must be priced on a market basis regardless of the fact that costs, if known, might require, according to the accounting principle, a lower valuation. When the commission attempted, moreover, to establish the accuracy of the market prices taken for inventory purposes on November 1, 1918, it met immediate difficulties in the case of many products where there were no independent market quotations available, and in the case of other products where the five packers, through their great selling power, virtually control the market.

If the packers either control the market or it is found that there is no established market, the reasonableness of inventory valuations can not be determined and there is nothing to prevent one packer, or all packers, from so pricing their inventories as to show profits or losses as they may desire. Furthermore, the packers are in the habit of making deductions from the so-called market prices of greater or lesser amounts according to the conservatism or optimism of the person who fixes the inventory valuations. In short, so far as market prices for inventories are concerned, the situation has been very well summed up by Mr. J. H. Chaplin, chief accountant of Swift & Co., who told the commission's secretary that the packers got these prices "out of their own heads." When a difference of half a cent a pound in the pricing of cured pork products may make a difference in the reported profit of a large company running into hundreds of thousands of dollars, the importance of the inventory procedure is realized.

That the packers have from time to time availed themselves of the power granted them to affect profits one way or another in this connection is evidenced by the following letter from a Swift subsidiary company:

DECEMBER 26, 1916.

Mr. LOUIS F. SWIFT,
Chicago, Ill.

DEAR SIR: Referring to your request that I look into items that could be charged off out of the earnings of the Western Meat Co., I would recommend that additional depreciation be written off to the extent of \$40,000, which would be about 3 per cent of the original value of their land, buildings, and machinery.

I would also recommend that they reduce the book value of the Peninsula Industrial shares that they are now carrying, and carry them at \$70 in place of \$100. This would be a charge to their loss and gain of \$30,000.

Would also recommend that they charge loss and gain \$15,000 and credit same to reserve for bad debts, deducting this amount when they make out their balance sheet from accounts receivable, and hereafter keep the reserve for bad debts at about that figure, unless there would be some exceptional reason for increasing it.

Would further recommend that when the inventory is priced for December 30 that it be priced on pork products $1\frac{1}{2}$ cents under the market, and further that they charge loss and gain, and credit a reserve for possible fluctuations in inventory \$50,000. This would not apply against any department, but would be deducted from inventory when making their balance sheet.

Please see separate letter on Carterville.

Please advise Mr. Shugert by wire whether these recommendations are approved by you.

Yours, respectfully,

Again, in the matter of those products where inventories are said to be valued at cost, it was found that certain of Armour & Co.'s departments, notably glue, have been using the same cost figures for inventory purposes to-day that were established in 1907, 11 years ago. The commission has estimated that if current costs had been used, the 1918 profit of the Armour Glue Works would have been increased by some \$300,000 over the reported profit based on antiquated costs. Similarly, it was found that the Swift Glue Works were not accurately computing their costs for inventory purposes in the fiscal year 1918. It was found that the raw material costs of many departments using so-called "cost inventories" were founded on transfer prices from the slaughtering department, based not on cost but on estimated market valuations, thus precluding the true accumulation of manufacturing costs for inventory purposes. It was found that the Cudahy Packing Co. were including interest, selling expense, and administrative expense in arriving at their costs for inventory purposes in certain departments. Correct accounting procedure requires that selling and administrative expense and probably interest should not be included in costs of goods manufactured and unsold.

In short, packers' inventories are not priced accurately in many instances, and, accordingly, packers' profits are, in respect to these instances, incorrectly reported. That this condition is due solely to the willfulness of the packers can not be charged for an instant. The packing business is such that uncertainty of profit due to inventory pricing has been and probably will always be a complicated factor.

(b) *Subsidiary companies.*—The packers do not always take up the proper share of the profits of their subsidiary companies in any given fiscal year. Unless this is done, the total reported profit is obviously incorrect. Swift & Co. in the year 1916 took up profits from their foreign subsidiaries, as follows:

Partial results only taken up:

Compania Swift de la Plata	\$4, 230, 736. 69
Compania Swift de la Montevideo	1, 173, 416. 74
New Patagonia Meat & Cold Storage Co.	215, 029. 99
H. L. Swift Stall (London), loss	23, 044. 38
Curry & Co. (Ltd.), loss	438. 44

Dividends taken up:

Australian Meat Export Co. (Ltd.)	218, 700. 00
Swift Beef Co. (Ltd.)	58, 320. 00
H. A. Lane & Co.	43, 164. 58

of above partial results and dividends 5, 915, 885. 18

Complete results taken up:

Swift Canadian Co. (Ltd.)	\$1, 183, 799. 31
Other foreign companies, loss	98, 321. 26
Total of complete results	1, 085, 477. 45
Grand total carried to summary	7, 011, 362. 63

Thus, out of a total of seven millions only one million represented complete results taken up.

Similarly Armour & Co., in the case of the Temple and Alvaredo companies—cotton oil mills in Texas—did not take up the profits of these companies on the books of the parent corporation for a period of nearly three years. When Wilson & Co. spread the assets and liabilities of their 100 per cent owned subsidiary companies as required by the Food Administration January 1, 1918, the net worth as shown on this consolidated balance sheet exceeded the net worth according to the annual published report of the same date by some \$3,000,000, showing that the surpluses and profits of subsidiary companies had not been accurately taken up by the parent company in prior years.

(c) *Surplus adjustments charged to profit and loss.*—The packers have repeatedly debited and sometimes credited the profit-and-loss account of a given year with items which properly should be debited or credited direct to surplus account. Thus Swift & Co. in 1915 appears to have charged the profits of the year with \$6,500,000 for shrinkages in the value of stocks and bonds owned by the company. Armour & Co. charged \$1,500,000 to the profit and loss account of the year 1916 to offset the capitalization of a certain subsidiary corporation; clearly this charge should have been to surplus. In the 1918 profit and loss statement of Armour & Co. are no fewer than 22 items, debit and credit, aggregating nearly \$3,000,000, which are "surplus adjustments," and accordingly have no place in a statement of earnings for the year.

(d) *Excess depreciation.*—Swift & Co. has recently written up the value of its fixed assets by \$30,746,046.88 on the ground that costs of duplication are now higher and that too much depreciation has been charged off in former years. So far as the latter statement is true, the profits of those former years have been understated. Morris & Co. in 1916 and 1917—both very profitable years—increased their depreciation reserve by sums equaling 10.5 per cent and 9.6 per cent, respectively, on the book valuation of fixed assets. As the blanket depreciation rate for all packing-house property should hardly exceed 5 per cent it would appear that Morris & Co. had understated their total profits by \$1,000,000 in 1916 and by \$980,000 in 1917. On the other hand, Armour & Co., by using a blanket rate of 8 per cent in recent years, has very possibly overstated its profits in this connection. In the case of its car lines, however, Armour & Co. was found to be figuring a high rate of depreciation after writing up the valuation of the cars some millions of dollars. As depreciation can only apply to cost, this procedure operated to improperly depress the profits of the car lines.

(e) *Income and excess profits taxes.*—The publicity methods of the packers in respect to income-tax items are open to criticism. Both in 1917 and 1918 they have officially reported their net profits after charging these profits with estimated reserves for income and excess profits taxes. Instead of showing the true earnings for the year, a part of which must be turned over to the Government, to be sure, they imply on their statement to the public and to the committee that they have only earned the lesser figure.

	Reported profits. ¹	Income taxes.	Adjustments to include tax reserves.
Swift & Co:			
1918.....	\$21, 157, 377	\$11, 328, 145	\$92, 095. 00
1917.....	34, 650, 000	10, 000, 000	64, 625. 00
Armour & Co., 1918.....	18, 247, 828	6, 800, 000	22, 047. 83

¹ These figures have not been audited by the commission.

Swift & Co., in their extensive advertising campaign of 1918, have used the \$34,000,000 profit figure both in text and chart form. This understates the earnings of the company by \$10,000,000, or 23 per cent.

(f) "*Reserves.*"—In addition to reserves for income taxes, the packers are in the habit of charging inventory reserves and "general reserves" to the profit and loss account of any particular year, decreasing reported earnings to this extent. Such reserves, if warranted, to begin with, are in the nature of surplus reserves, and it is doubtful if they should operate to depress profits. Thus the Cudahy Packing Co. in 1916 reduced its earnings from \$3,500,000 to \$3,000,000 by an "inventory reserve," and in the following year charged Mr. E. A. Cudahy's salary of \$50,000 against this reserve.

(g) *Divorcing subsidiary companies.*—Another factor which renders comparative statements of profit very uncertain is the recent action on the part of Armour, Swift, and Morris to divorce their South American subsidiaries from the parent company by organizing new companies altogether, in which the stockholders of the parent company receive new stock on the basis of their estimated equity in these businesses. Thus the parent company gets rid of all holdings in South American subsidiaries, and accordingly does not need to report to the public or to the Food Administration or the committee the large returns of these companies in connection with its annual statement. As a matter of fact, the same management and the same control continues to exist, but the American parent company does not have to report profits increased by South American earnings. Swift & Co. has adopted the same procedure in respect to Libby, McNeill & Libby, its great canning subsidiary. The result, of course, will be to show a sharp check in the upward sweep of profits as reported by Swift & Co., but any attempt to measure earnings on this new basis against earnings of prior years, when the now severed companies were included, becomes impossible.

It is of interest to note in this connection that the quoted market value of Swift's common stock, comprising Swift & Co., Libby, McNeill & Libby, and the Swift International Co. (South America), was, in November, 1918, about \$100,000,000 more than the quoted market value of Swift & Co., which contained the three companies within itself a year before.

(h) *Family companies.*—The question of the volume of packers' profits, if not their accuracy, should not be left without stating that members of the Armour, Swift, and Morris families all own large holdings in companies affiliated with the packers' business. These companies are often under the same general management and direction as are the parent corporation companies, and their profits are, in fact, if not in legal parlance, closely related with the companies now under discussion.

II. PROFITS PER HEAD OF CATTLE ARE UNDERSTATED.

The great packers have from time to time made public statements as to their profits per head of cattle slaughtered and sold. Waiving for the time being (see summary statement III) the important fact that no cost system is available to show these results accurately, it is found that in compiling the figures the several companies have not incorporated all profits derived from cattle by-products, but have optionally cut off the taking of such by-products at points which are not even identical as between the reporting companies. Obviously "profits per head" must comprehend all profits derived from selling the several parts of the live animal. To make the cut-off on the basis of "primary by-products," or "edible products," or any point short of the ultimate return from all products, edible and nonedible, does violence to any theory of per head profits and to the facts.

In connection with the Borland resolution, Armour & Co. submitted a profit per head of cattle for the fiscal year 1915 of \$1.19. The profits of tanning, soap, glue, fertilizer, and many other cattle products were not included in making this computation. For the same fiscal year 1915 Swift & Co. reported their cattle profits per head as \$1.28. This figure also failed to take into consideration many by-products and was not even in line with the Armour computation, as evidenced by the following letter:

[Private.]

CHICAGO, June 23, 1916.

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter of June 13 to L. F. S. regarding Borland which Mr. Meeker is quoted as saying that Armour made a profit on cattle for a certain period (ours for same period, \$1.28 per head) you understand that Armour's includes their canners—which

ours does not—part of their sausage results, and has 10 cents added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over \$2 per head.

Mr. Chaplin didn't think there could be as much difference as this because he checked it pretty close and understands definitely that theirs includes all the above mentioned, which ours does not.

CHARLES H. SWIFT.

That profits per head as reported by the packers can not always be shown as small is evidenced by the following memorandum taken from Swift's files, which gives an average profit of \$6.14 per head for Libby cattle in 1915:

L. F. Swift.

SEPTEMBER 24, 1915

Reviewing Libby results, eight months, 1915: Sold in the carcass through their markets, 26,753 cattle; N. B. profit, \$1.25 per head. Cut in the Chicago cutting room, 97,310 cattle; N. B. profit, \$7.61 per head. Cut at Fort Worth 11,222 cattle; N. B. profit, \$5.04 per head. Total, 135,284 cattle; profit, \$6.14 per head. Assets employed, \$5,174,000.

There was, of course, more capital than this employed if we take into consideration the capital invested in the slaughtering plants which were used in the slaughter of Libby cattle.

The above is a very satisfactory showing. Attention is called to the very large difference in the results on cattle sold through their markets and cattle cut. Their inventory of beef products is being carried at conservative prices.

III. PROFITS AS REPORTED FOR SPECIFIC LIVE-STOCK PRODUCTS AND DEPARTMENTS

While the packers do not attempt to figure costs and profits on specific items like hams or bacon, or beef rounds, they do undertake to segregate the more important animal products in certain specified departments and compute costs and profits periodically by departments. A given packing plant may be divided for operating and accounting purposes into 40 or 50 such departments, as follows:

SECTIONS AND DEPARTMENTS, AS FOUND ON THE BOOKS OF ARMOUR & CO.

Beef section:

- Dressed beef.
- Hides.
- Oleo.
- Fresh beef cuts.
- Beef casings.
- Beef curing.
- Fresh beef products.
- Dried beef.
- Vinegar-pickled beef.
- Beef tanks.

Pork section:

- Packing hogs.
- Dressed hogs.
- Fresh pork cuts.
- Smoked meats.
- Sweet-pickled meats.
- Boiled hams.
- Barreled pork.
- Dry salt meats.
- Hog casings.
- Vinegar-pickled pork.
- Lard.
- Hair and bristles.
- Hog tanks.

Veal section:

- Dressed calves.

Mutton section:

- Dressed sheep.
- Sheep casings.
- Wool and pelts.

Mixed section:

- Canned meats.
- Sausage.
- Butterine.
- Tallow and grease.
- Sterilized meats.

Specialty by-products:

- Leather.
- Fertilizer.
- Soap.
- Glue.
- City fats.
- Curled hair.
- Ammonia.
- Serum.
- Pepsin.
- Mince meat.
- Gut strings.
- Pork and beans.

Specialty by-products—Continued.

Sandpaper.
 Animal oil.
 Beef extract.
 Other products:
 Lard substitutes.
 Poultry.
 Butter.
 Eggs.
 Cheese.
 Canned fish.
 Canned vegetables.
 Canned fruits.

Other products—Continued.

Grape juice.
 Soda-fountain supplies.
 Peanut butter.
 Services, etc.:
 Car lines.
 Cold storage.
 Ice manufacturing.
 Options and trading.
 Cooperage.
 Box making.
 Printing.
 Tin shop, etc.

These departments are elaborately contrived and a vast amount of clerical work is expended in maintaining them, but the resulting costs and profits do not produce accurate results. The packers' accountants have repeatedly admitted that this is the case. The departments are nevertheless valuable to the packers in that they furnish a check on departmental efficiency and do give at least, from period to period, a relative curve which serves to indicate an upward or downward tendency.

The packers' present theory of cost is to consider the dressed carcass of the steer, sheep, and calf as the sole main product, the hides, pelts, fats, and all other material as merely by-products, credited to the dressed-carcass department at some arbitrary transfer value which may or may not have a relation to any ascertainable market value. These animals are not killed for their meat alone, but for their hides, pelts, fats, bones, and other material as well, and no theory which is built around carcass meat as the only main product can maintain itself against a dispassionate analysis of the facts. And no system of transfer values and inventories based on uncertain "market prices," rather than on costs, can be satisfactory or can be expected to reflect accurate departmental costs and profits.

In respect to hogs the primary cuts are transferred out of a killing department on the basis of market value rather than cost, and the same general criticism accordingly applies thereto.

The above in brief are the facts as to the packers' cost-finding methods. The packers are not disposed to quarrel with it in theory, but as a practical matter they ask very naturally, "What else can we do? We have been experimenting with cost systems for decades without success, and we believe, due to the enormous complexity of our business, that it is impossible to evolve one." Their point appears to be well taken. It may be that a scientific cost system is beyond the possibility of application to the packing business, that the present theory, crude as it is, furnishes executives with the only reasonable index of departmental results. But knowing the limitations of their costs and profits as they do, knowing that they can not actually determine the profit per head or per hundred weight, the packers, nevertheless, make public announcements and spend large amounts in advertising, in which they give to these figures all the dignity of absolute finality.

The above applies in a broad way to the statements made from time to time as to profits per pound on beef and sheep and calves. These profits are compiled according to an untenable system and can not be regarded as authentic. Curiously enough the packers have not, according to the commission's knowledge, ever made any public statement as to profits per pound or even per head on hogs. They have turned public attention to beef profits which are usually shown as small, while pork profits have been kept altogether in the background. Swift & Co. shows a "hog-section" profit of about \$15,000,000 in 1917 on their books, while the "beef-section" profits, as shown, are much less per unit.

There is still another side of the question of departmental profits which calls for comment. The operation of the present theory as carried on by the several companies is, from the comparative standpoint, open to question. In other words, there is no uniform method of applying the theory, with the result that figures can not be compared between packers.

This lack of uniformity has been found by the commission to exist in respect to:

1. Distribution of indirect expense to departments.
2. Transfer values between departments.
3. Definition of departments and sections.
4. Application of branch-house profits to departments.
5. Application of car-route profits to departments.

6. Billing prices from departments to branch houses.

7. Taking of departmental profits on interplant shipments.

No two packers distribute their indirect and administrative expense burden on the same basis. For example, Armour uses sales, while Wilson uses sales plus pay roll plus investment. Transfer values on like products at a like time have been found to differ widely between packers. Swift's glue department and Wilson's glue department do not cover the same operations at all; the latter takes its glue jelly ready made from the bone department, while the former takes the green bones direct into the glue department and proceeds to manufacture the jelly therein. Armour brings back all its branch-house and car-route profits to packing-plant departments on an arbitrary basis, while other packers report a portion at least of these profits as a separate item unconnected with the departments. Armour has one philosophy of billing branch houses, Swift another, with the result that departmental profits are seriously affected and can not be compared between the two companies. The treatment of so-called "service departments" (tin shop, power house, printing shop, etc.) varies widely between packers in respect to the basis of charging these services to the regular operating departments.

In short, it may be concluded that neither the packers' theory of costs nor their practical administration of that theory can convince a dispassionate reviewing body that profits obtained thereunder are accurate or comparable.

IV. RATES OF PROFIT ON NET WORTH HAVE BEEN HIGH.

It is believed that one method of determining the extent of packers' total profits which is at least comparable between companies is the rate of return on net worth—net worth, or stockholders' equity, being an accounting term which represents capital stock and surplus combined. Stated in another way, it means total assets less total liabilities to all outside parties, including bondholders. In figuring rates of profit on net worth, all complications due to the issue of stock dividends or the capitalizing of surplus disappear, and in theory at least a clean figure is established, provided good will is eliminated for comparative purposes, which represents the stockholders' real interest in the business, against which earnings may be measured.

Even with this simplification only crude estimates can be presented. Profits as reported by the packers are known to be inaccurate, as has already been pointed out in Summary Statement I, and net worth is not strictly comparable between the five packers because of varying policies pursued in the valuation of fixed assets—lands, buildings, and machinery. Armour & Co. reappraised their properties, and in 1911 added some \$20,000,000 to the book value of their properties. Swift & Co. in 1918 added some \$30,000,000 through reappraisals. Morris & Co. claims to have never made any broad readjustments in this connection. When Sulzberger & Sons Co. became Wilson & Co. in 1916 extensive revaluations of fixed assets were made. The Cudahy Packing Co. is now in the process of reappraising its properties. As a result of these activities all the packers, except possibly Morris, have buried the original cost values of their properties, have conducted a more or less unequal policy as to depreciation reserves, have reappraised as of varying dates and on varying bases, and all attempts of the commission to establish a rough uniformity in the valuation of fixed assets for the five companies have been unsuccessful. Both the profit regulation of the Food Administration and the provisions of the various income and excess-profit tax laws have been and are hampered in this connection. It can not be too strongly urged that the public interest requires clear and equitable valuations of the packers' properties instead of the general uncertainty that now exists.

Both as to profits and as to net worth—so far as valuations of fixed assets affect net worth—serious questions arise; but, nevertheless, the commission presents the following tables showing profit, net worth, and resulting rates for the six years, 1912 through 1917, in the belief that these figures present a picture such as it is, of the relative earning power of the five companies. Profits as reported by the packers have here been adjusted in respect to income-tax reserves, certain excess depreciation charges, surplus reserves, and various other items not properly chargeable against the earnings of a given year; but these adjusted figures are by no means final, but simply present what is believed to be a more accurate statement of profit than that reported by the packers themselves. Further analysis would undoubtedly reveal the necessity of making additional adjustments.

Estimated profit and rate on net worth.

	Armour.	Swift.	Morris.	Wilson.	Cudahy.	Total, 5 packers.
Estimated profits:						
1912.....	\$5,702,000	\$8,745,000	\$1,813,000	¹ \$1,326,000	\$1,129,000	\$18,715,000
1913.....	6,158,000	9,449,000	1,917,000	¹ 1,364,000	1,329,000	20,217,000
1914.....	7,640,000	9,651,000	2,206,000	¹ 1,209,000	1,402,000	22,108,000
1915.....	11,156,000	23,387,000	2,321,000	¹ 2,464,000	724,000	40,052,000
1916.....	22,849,000	24,195,000	4,890,000	5,314,000	3,511,000	60,759,000
1917.....	² 27,137,000	47,236,000	8,012,000	8,319,000	4,935,000	95,639,000
Rate of estimated profit on net worth (capital stock and surplus) taken at beginning of fiscal year:						
1912.....per cent..	6.0	8.6	6.9	(³)	7.1	(³)
1913.....do.....	6.1	8.7	6.9	(³)	7.8	(³)
1914.....do.....	7.3	8.5	7.5	(³)	7.9	(³)
1915.....do.....	10.2	19.8	7.5	(³)	4.0	(³)
1916.....do.....	19.2	19.1	15.0	14.5	19.4	18.3
1917.....do.....	² 19.8	33.4	22.6	29.6	23.2	26.3

¹ Figures known to be unreliable.² Not including South American business.³ Rates not available.

Based on the above estimates, the following table showing excess of profit and profit rate in the war years 1915, 1916, and 1917 over the prewar years of 1912, 1913, and 1914 is presented. It is to be noted that the war rates were double and sometimes treble the prewar rates.

War v. prewar profits.

	Armour.	Swift.	Morris.	Cudahy.	Total, 4 packers.
Total estimated profits, prewar years, 1912, 1913, 1914.....	\$19,500,000	\$27,845,000	\$5,936,000	\$3,860,000	\$57,141,000
Total estimated profits, war years, 1915, 1916, 1917.....	¹ 61,142,000	94,818,000	15,223,000	9,170,000	180,353,000
Excess profit, war years over prewar years..	¹ 41,642,000	66,973,000	9,287,000	5,310,000	123,212,000
Average profit on net worth:					
Prewar years.....per cent..	6.6	8.6	7.2	7.6	7.6
War years.....do.....	16.7	24.5	15.4	16.0	19.9

¹ Armour & Co. South American profits not included in 1917.

Wilson & Co. not included because of uncertainty as to 1912 to 1915 figures.

Not only have the packers heavily increased their profit rates on net worth in the war years, but they have increased their rates on sales—this in the face of a great increase in selling prices, as well as raw material prices. The following table exhibits both the reported sales in dollars and the rates of profit on sales during the six years 1912–1917. These sales figures are not exact, as the packers nowhere accumulate gross sales on their regular books of account.

Sales and profits on sales.

	Armour.	Swift.	Morris.	Wilson.	Cudahy.	Total (5 packers)
Reported sales:						
1912.....	\$263,307,000	\$300,000,000	\$134,430,000	(1)	\$97,444,000	.....
1913.....	319,897,000	400,000,000	165,909,000	(1)	104,409,000	.....
1914.....	351,801,000	425,000,000	154,983,000	(1)	109,121,000	.....
1915.....	340,157,000	500,000,000	177,040,000	(1)	116,162,000	.....
1916.....	479,969,000	575,000,000	219,781,000	\$186,994,000	133,961,000	\$1,396,760,000
1917.....	\$577,366,000	\$71,276,000	264,792,000	225,000,000	184,811,000	2,157,245,000
Profit on sales:	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1912.....	2.2	3.0	1.3	(1)	1.2	.....
1913.....	1.8	2.4	1.2	(1)	1.3	.....
1914.....	2.2	2.3	1.4	(1)	1.3	.....
1915.....	2.9	4.7	1.3	(1)	.6	.....
1916.....	4.7	4.2	2.2	2.8	2.6	3.4
1917.....	4.7	5.4	2.9	3.7	2.9	4.1

¹ Not available.² Not including South American profits.

V. THE PACKERS' EXPENSE ACCOUNTS ARE BURDENED WITH OUTLAYS WHICH ARE NOT STRICTLY OPERATING COSTS.

Broadly speaking, the high executives among the great packers have drawn salaries which are out of line with current business practice. Among the larger salaries are the following:

Thomas E. Wilson	\$125,000
F. E. White (Armour & Co.)	85,000
Nelson Morris (Morris & Co.)	50,000
Nelson Morris (St. Louis Stockyards)	25,000
A. Valentine (Armour & Co.)	85,000

The publicity expenses of the packers have been large, and during 1918 Swift & Co. report an expenditure of \$1,800,000 on press advertisements alone. These advertisements are not in the nature of stimulating sales, but rather arguments presented to the public. Armour & Co. is starting a similar campaign this year.

Considerable sums are expended by the packers to defeat legislation inimical to their interests. This is particularly true of the Borland resolution in Congress in 1916. Legal expenses are very heavy, as in the case of Mr. Veeder, of Swift & Co. Items were found on the books of Armour & Co. covering attorneys' fees in connection with bills in a number of State legislatures.

In fact, the packers' books are littered with items, large and small, often very inadequately vouched, which can not be construed as legitimate additions to cost, but the costs of which the public nevertheless pay.

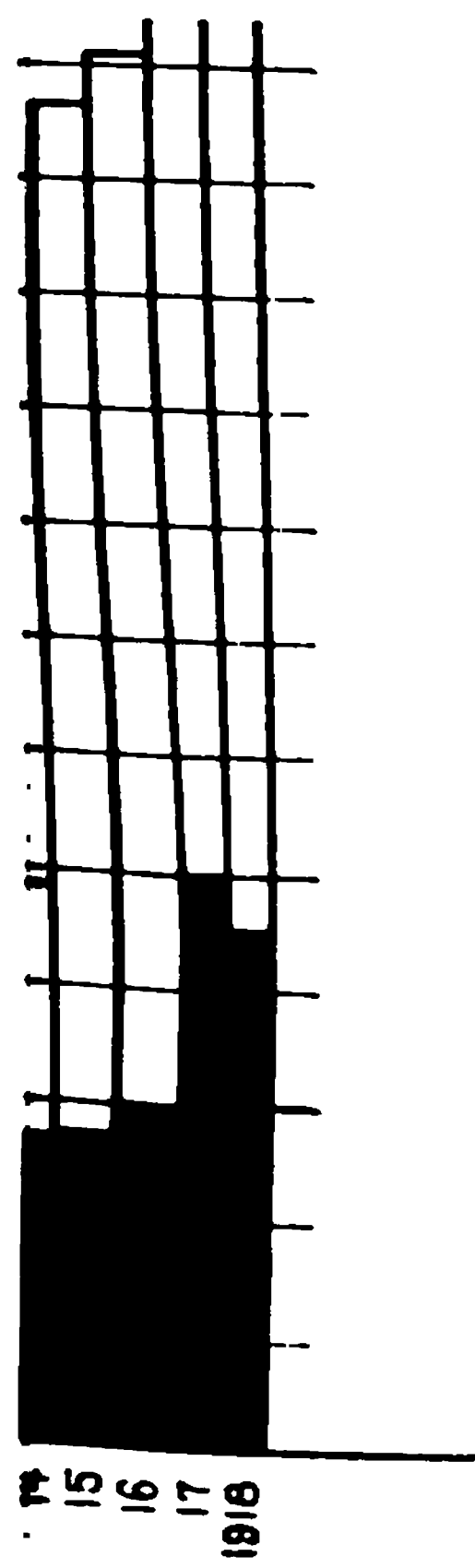
VI. PACKERS' PROFITS HAVE BEEN RETARDED BY LOSSES IN ENTERING NEW FIELDS.

Mr. Valentine, of Armour & Co., told the commission's examiners that it cost his company \$1,000,000 before establishing the soap department on a paying basis.

Mr. James P. Moon, of Swift & Co., writing in connection with Swift's entering the pineapple business, says: "I would recommend that we work our present business to show good results before putting any more money into it. No doubt we will have this on a profitable basis in an average number of years. It takes some time in all new businesses to quite get our gait and to know how to handle everything to the best advantage."

Wholesale grocers, in testifying before the commission's agents, have shown how the packers cut prices on entering a new grocery line, cutting far below cost sometimes, with resulting temporary losses, while competitors are being eliminated and control established.

It is a commonplace of business practice that, broadly speaking, a new line of business can not be made immediately profitable, and that losses must be expected over the organization period. Although the packers occasionally escape the operation of this law, due to their long experience and great distributing facilities, it is nevertheless true that profits in the meat business at one time and again been used to carry losses in other lines of business prior to the establishment of the latter on a paying basis.

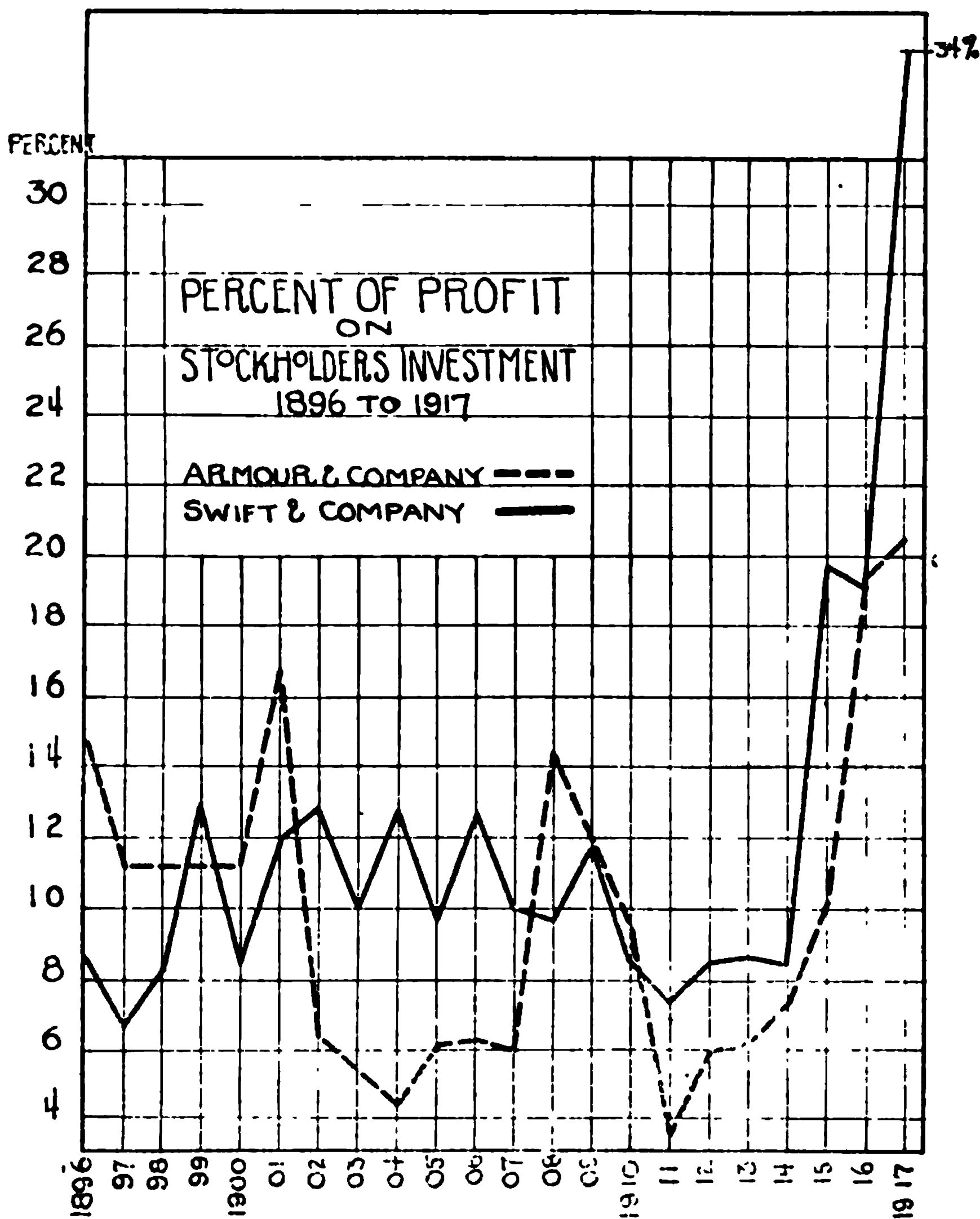


Amounted pretty accurate.

Mr. MURDOCK. I am not, gentlemen, an accountant. This matter which I have submitted has been prepared for the Federal Trade Commission for submission to this committee. With it has been prepared a chart, which I should like to ask leave to print in these hearings, if the committee so desire.

The CHAIRMAN. There is no objection to it that I hear.

(The chart referred to is here printed in full, as follows:)



Mr. MURDOCK. If the committee wishes to question in detail about the chart, I should like to pass that over to Mr. Chase, who is with me, who is an accountant.

The CHAIRMAN. What does the chart represent?

Mr. MURDOCK. Mr. Chase, will you explain the chart—explain what the chart is intended to represent?

Mr. CHASE. The chart represents the total profits of Armour & Co. and Swift & Co. for about the last 20 years, showing particularly the great increase since the outbreak of the European war. It also shows the amount in dividends drawn out, and indicates for Armour & Co. in 1917 and 1918 their South American profits. It is arranged in a rectangular form, the total rectangle signifying the total profit for the year, a portion of that rectangle signifying the amount that was drawn out in dividends, and it gives a sort of bird's-eye view of the growth and of the profitableness of these two companies.

Mr. SANDERS. Will you give it mathematically?

Mr. MURDOCK. Give the statement by years?

Mr. CHASE. I can give it by reading from the scale.

Mr. WINSLOW. Can you give the percentage on invested capital?

Mr. CHASE. The supplementary chart shows that. Here Swift & Co. began in 1896. Do you want each year?

Mr. WINSLOW. As far as I am concerned, the total will be all right.

Mr. CHASE. I will give the three years before the war, say, and then the years since the war. This would be roughly from the scale.

In 1912 it was about $8\frac{1}{2}$ per cent on their net worth—that is, their capital and surplus combined, stockholders' equity.

In 1913 it was about the same, $8\frac{1}{2}$ per cent.

In 1914 it was the same, $8\frac{1}{2}$ per cent.

In 1915, the first year of the war, really, it jumped to $19\frac{1}{2}$ per cent.

In 1916 it was 19 per cent.

In 1917 it was 34 per cent.

Mr. WINSLOW. Are you a certified public accountant?

Mr. CHASE. Yes, sir.

Mr. WINSLOW. Are you familiar with the great profits of general lines of large business during the war?

Mr. CHASE. We made some study of that in connection with these packers' profits.

Mr. WINSLOW. Independent of that, regardless of that, are you familiar with the profits during those years and during the war period of typical large lines of business in metals and machinery, and wool and cotton, and so on?

Mr. CHASE. We made, as I say, a little study in woolens, machinery, oil, and steel, and so on, in connection with the packers' profits, from Poor's Manual, I believe it was, and found that they also showed large increases with the war.

Mr. WINSLOW. When you compared them, generally speaking, were they larger or lower?

Mr. CHASE. I think the packers were a little higher, generally speaking; not much.

Mr. WINSLOW. Was there anything about it signifying any particular inside advantage or graft, or other unusual situation except that they happened to be a little higher?

Mr. MURDOCK. The packers?

Mr. WINSLOW. You are not up here to razoo the packers.

Mr. MURDOCK. Mr. Winslow, if you will permit me, I think if that question opens up the whole question of profit, I had better let Mr. Chase go ahead.

Mr. WINSLOW. I agree with you. I would rather have it on him than myself. You brought him as a substitute before the committee.

Mr. MURDOCK. Go right ahead.

Mr. WINSLOW. Let us take any of the lines you investigated; take cotton.

Mr. CHASE. I have not investigated them; I have simply taken the figures out of Poor's Manual.

Mr. WINSLOW. You come in here as an expert, and the Federal Trade Commission depends for its conclusions upon your statement, and what Mr. Chase says I understand is part of your testimony, Mr. Murdock?

Mr. MURDOCK. Yes.

Mr. WINSLOW. If we are to place credence in what you say, we must know whereon you base your conclusions, and on what facts you make your comparisons.

Mr. CHASE. I am not making any comparisons; I am stating facts in regard to the packers' profits.

Mr. WINSLOW. Can you take any line of business that we could call a typical line of American business during the past five or six years with which you can compare the packers' profits with any degree of certainty in your own mind?

Mr. CHASE. I do not think so. Each business is unique in itself. There are certain specific and particular qualities adhering thereto.

Mr. WINSLOW. As a public accountant you must have had experience in more lines than merely the packing business; you would not have arrived at your present degree of eminence and would not be picked out by this commission to do this work otherwise—work which requires the services of the best possible talent obtainable—and I am quite ready to grant you that. That being the case, your experience has gone beyond the mere packing business or the whole production of meat and foodstuffs. Now, unless you are willing to take exception to the credit I give you, I am going to ask you to tell us whether or not, in your judgment, there is anything about the returns you have read from these packing houses which would indicate any abnormal profits during the period of the last six years.

Mr. CHASE. Yes, sir.

Mr. WINSLOW. Will you please point it out.

Mr. CHASE. I think the fact as pointed out in the upward growth of the profits on the investment and the absolute profits and the rates of return on sales in the war years as compared with the pre-war years doubled and trebled—

Mr. WINSLOW. Are you willing to testify that, in your judgment, the relation between the 8½ per cent of three years running there and the 19 per cent maximum—

Mr. CHASE (interposing). Thirty-four per cent.

Mr. WINSLOW. And the 34 per cent maximum in one year is out of proportion to the profits made by large businesses in other directions in this country?

Mr. CHASE. I do not see that other businesses are relevant.

Mr. WINSLOW. You had better let the committee decide whether it is relevant or not.

Mr. CHASE. I prefer not to answer, then.

Mr. WINSLOW. Let it go at that. I have asked all I care for. I wanted it to go on record here that here is a man introduced as a

registered, chartered public accountant, supposed to be capable of handling the figures of this great undertaking, who proposes not to answer straight questions in reference to going business in this country making large profits, of which there are 20 conspicuous illustrations.

Mr. MURDOCK. Mr. Chairman, shall I resume?

The CHAIRMAN. Certainly.

Mr. MURDOCK. If it is agreeable to the committee, I should like to close, but before closing I should like to submit for the record my statements on the following subjects: Wiring on; collusive selling; cream buying; relative advantage of having large and small packing companies; advantages of a few large markets as compared with a greater number of smaller ones; branch houses and storage plants.

(The documents referred to are printed in full at the close of the witness's statement.)

THE FEDERAL TRADE COMMISSION'S FINDINGS AND WHAT THE MEAT PACKERS SAY ABOUT THEM.

HISTORY OF DRESSED-MEAT POOLS AND MERGERS.

In order to show a continuation of collusive activity among the large packing companies from 1885 up to the present time, the commission, in Chapter I of Part II of its report on the meat-packing industry, gave a brief history of the dressed-meat pools and mergers up to 1912. In this chapter it was pointed out in more or less detail that for the period from 1885 to 1902 the packers operated under dressed-meat pools known as the Allerton pool and the Veeder pool, and that the Veeder pool was abandoned under public pressure in 1902; that upon the abandonment of the Veeder pool the five big packing companies attempted to merge their business into one giant meat-packing corporation. This proposed merger was abandoned in November, 1902, because of the pending money panic which occurred in 1903; that upon the abandonment of the proposed merger the National Packing Co., owned jointly by Armour & Co., Swift & Co., and Morris & Co., was organized.

In regard to the National Packing Co. the commission pointed out:

"When the National Packing Co. set to work, the directors who assembled at the meetings of the board—still in Veeder's office—were Gustavus F. Swift, Edward Tilden, Albert H. Veeder, J. Ogden Armour, P. A. Valentine, Arthur Meeker, Edward Morris, Thomas E. Wilson, Kenneth K. McLaren, Jesse P. Lyman, and James D. Standish, the same men who had met in Veeder's offices to attend to the work of the old pool, except Kenneth K. McLaren, who was the New Jersey resident director for the National Packing Co.

"The same method for making the cost of beef seem high that had been employed under the Veeder pools was used by the packers in the time of the National Packing Co. An effort was made to conceal the fact that the four companies were using an identical system of figuring the test cost. One of the companies would add to the live cost of the animal \$2.75 for the killing charge and make deductions for by-products after making exactly the same deductions for hides and fat as all the others, and would make an additional deduction of 40 cents per head for tongues. Another company would charge \$2.75 for killing and make a deduction of 40 cents for offal but no deductions for tongues and identically the same deductions as the others for hides and fat. Still another would make a charge of \$2.35 for killing but no deduction for either tongues or offal and the same deduction as the others for hides and fat."¹

In regard to the National Packing Co., the commission stated that it was liquidated in July, 1912, under pressure from the Department of Justice.

ADMISSION OF THESE FACTS BY THE PACKERS.

Before your committee Mr. Armour said that a generation ago his company was sometimes a party to pools and combinations. Before the Senate Com-

¹ Report of the Federal Trade Commission on the Meat Packing Industry, Part II, pp. 77-78.

mittee on Agriculture and Forestry Mr. Armour said that his company was a member of the Veeder pools down to 1902, and explained somewhat in detail the object and operation of that pool.

Before that same committee he further testified that his company was a party to the attempted big merger in 1902 and stated that he thought such a merger would have saved millions of dollars now lost in the duplication of the business, and that a regulated monopoly would be better than present conditions.

In regard to the National Packing Co., Mr. Armour said before the Senate committee that his company, with Swift & Co. and Morris & Co., were the owners of the National and that the operation of the National had somewhat the same business results as did the Veeder pools—that it gave an opportunity for the representatives of the member companies to continue their weekly meetings where they could talk over their business. In speaking of the causes which led up to the dissolution of the National Packing Co. in 1912, Mr. Armour, before your committee, said:

“In July, 1902, the laws regarding corporations and trusts were so interpreted as to make it necessary for the various packers to discontinue the joint ownership of the National Packing Co., and so the corporation was voluntarily dissolved.”

It is unnecessary to recite the testimony of the other packers on the past pools and combinations up to 1912 because they all either admitted or failed to deny the facts in reference to them, which the commission published in Part II of its Report on the Meat Packing Industry.

WIRING ON.

In his testimony of the packers' practice of “wiring on” Mr. Weld made the following statements:

1. That “wiring on” is a legitimate practice, but “because of the prejudice against it” Swift & Co. has gradually discontinued it.

2. That the Federal Trade Commission printed three pages of letters designed to show that “this ‘wiring on’ practice is very common,” and “that the prices made in the second market are no higher than, and generally less than, the prices in the first market.”

3. That these letters “are not cases of ‘wiring on’ at all.” That all but one are “records of some completed transactions.”

4. That the Federal Trade Commission “took copies of letters that it did not reproduce in the report,” which “letters absolutely disprove the statement that the packer buyers at the second market bid at prices no greater than, and often less than, those offered to shippers at the first market.”

THE ANSWER TO THESE STATEMENTS.

1. Mr. Weld said “that ‘wiring on’ is a legitimate practice. There is no criticism of the practice of ‘wiring on’ as explained by Mr. Weld. That is where one Swift buyer wires another buyer regarding prices and bids. The commission did, however, call attention to the fact that this practice involved collusion and that it could not be effectively exercised without concerted action on the part of the big packers. It has been this concerted action that has made this ‘wiring on’ an effective and unfair practice and which has resulted in so much complaint or ‘prejudice,’ as Mr. Weld says, on the part of the producers of live stock.

2. Mr. Weld said that the Federal Trade Commission printed three pages of letters designated to show that this “wiring on” practice is very common and that prices paid in the second market are no higher than, and generally less than, the prices in the first market.

The Federal Trade Commission did not say that this “wiring on” is very common. On the other hand it did say on page 90 of Part II “that shipments to second markets are now infrequent.” Nor did it say that these letters to which Prof. Weld refers were used to show that “prices paid in the second market are no higher than, and generally less than, prices in the first market.” On pages 89 and 90 of Part II the Federal Trade Commission used this statement only in connection with and explanation of the general practice of “wiring on.” After this statement it inserted a few of these letters as typical

of the data analyzed. It will be noted on page 91 that instead of saying with regard to this data that "prices paid in the second market are no higher and generally less than," etc., as Prof. Weld implies that it did say, the commission said "these reports show that of the second market sales to the big packers by far the larger number were at prices below those offered at the first market; and taking into consideration shrinkage and forwarding expenses, probably all of them represented losses of shipments."

3. Mr. Weld further said that these letters "are not cases of 'wiring on' at all;" that all but one are "reports of completed transactions."

Your attention is called to the commission's statement at the bottom of page 90 of Part II. Nowhere did we refer to these letters as "wiring on" messages, but we did refer to them as Prof. Weld does as reports of results of sales.

4. Mr. Weld charges that the Federal Trade Commission "took copies of letters that it did not reproduce in the report" which "letters absolutely disprove the statement * * * that the packer buyers at the second market bid at prices no greater than, and often less than, offered the shipper at the first market."

The commission made a clear distinction between its reference to "wiring on" as a general practice where we made the above statement about prices being no greater, etc., and its reference to the examination of a "large number of telegrams and other office memoranda"—these letters referred to by Mr. Weld. In order to show the committee that the Federal Trade Commission was justified in making the statement that "these reports show that of the second market sales to the big packers, by far the larger number were at prices below those offered at the first market, and taking into consideration shrinkage and forwarding expenses probably all of them represent losses to shippers," copies of all these letters referred to by Prof. Weld as being taken from the files of Swift & Co., are submitted. We request that they be printed in the record.

[Private-wire telegram.]

St. JOE, December 11, 1913.

To LEAVITT:

Following cattle unsold our market Wednesday and forwarded K. C.; sold there to-day as follows: Four loads Kans. Nat. account W. F. Beatty, Howard Kans. Bid 7.05, St. Joe, sold as follows:

Two loads 10.52, 7.25, S. & S.; 2 loads 9.96, 7.15, S. & S.

Two loads black Kans. Nats. account W. S. Beatty, Howard, bid 7.35, St. Joe, sold as follows:

Two loads 10.90, 7.50, S. & S.; 2 loads Kans. Nat. account M. Encell, from Howard, bid 7.60 St. Joe, sold as follows: Two loads 10.40, 7.70, Armour.

STEMM.

[Private-wire telegram.]

St. JOE, May 13, 1914.

To LEAVITT:

Two loads helper which we reported unsold Tuesday were forwarded to St. Louis to-day noon. Will keep you posted.

VANCE

[Private-wire telegram.]

St. JOE, May 14, 1914.

To LEAVITT:

St. Joseph:

Two loads Kent medium natives unsold Wednesday forwarded to K. C. last night. Bid 7.80—one out held at 7.85.

Two loads medium natives, speculators bought 1,193 pounds at 8.10 here.

Five loads G. W. Sugar Co. to-day as follows:

50 head, 1,120 pounds, at 8.40, to Swift; 50 head, 1,209 pounds, at 8.40, to Hammond; split three loads, same cattle sold to Swift to-day, 1,215 pounds, at 8.35 Cudahy.

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Kansas City:

Sold K. C. to-day, 1,076 pounds, at 8.00 to Armour.

Forwarded K. C. last night. Sold K. C. to-day, 1,207 pounds, at 8.10, to Morris.

VANCE.

[Private-wire telegram.]

(Red Stamp:) Louis F. Swift, May 20, 1914.

ST. JOE, May 5, 1914.

TO LEAVITT:

Two loads med. Colo. cattle national, forwarded to K. C. Monday night. Bld 7.75 for here. Sold K. C. to-day, 1,000, 7.75 Cudahy.

STEMM.

(In pencil) St. Joe, Stemm.

[Private-wire telegram.]

ST. JOE, June 3, 1914.

(In pencil:) St. Joe, Stemm.

LEAVITT:

Prey forwarded three loads Colorado pulp, bld 8.15 for here. Tuesday, average, 1,000 pounds here, sold Kansas City to-day, 1,100 pounds, at 8.15 to S. & S.

STEMM.

(Red stamp:) Louis F. Swift.

[Private-wire telegram.]

ST. JOSEPH, Mo., November 17, 1914.

LEAVITT:

National had here Friday one load heifers, bld 8.10 with 4 out at 7 cents; forwarded to St. Louis; sold there Monday to Morris; average, 852 pounds, 8.00.

VANCE.

[Private-wire telegram.]

ST. JOE, November 11, 1914.

LEAVITT:

Referring three loads nats, account J. W. Edmisten, forwarded to Kansas City Wednesday, bld 7.75, held at 7.90 here; sold K. C. to-day, 1,054, 7.50, to Armour.

VANCE.

[Private-wire telegram.]

ST. JOE, January 21, 1915

TO LEAVITT:

Dally had here Wednesday two loads red dehorned natives, account J. G. Silleis, bld 7.70, held at 8.00, forwarded to Kas. City. Sold K. C. to-day, average 1,000, 7.50 to S. & S. Davis had here Wednesday two loads heavy natives, account Charles Brown, bld 7.75, held at 7.85, forwarded to Kas. City. Sold K. C. to-day, average 1,437, 7.80 to Morris.

VANCE.

[Private-wire telegram.]

ST. JOSEPH, February 9, 1915.

LEAVITT:

Hammond bought here to-day two loads steers, average 1,348 pounds, 7.15, forwarded from Omaha, bld 7.45 for by Cudahy in Omaha last Thursday.

VANCE.

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[Private-wire telegram.]

ST. JOSEPH, *June 1, 1915.*

LEAVITT:

Lee live stock forwarded to Kansas City Saturday, May 29, two loads Colorado steers, account Clayton & M., bid 8.25, with 5 out at 7.35, St. Joe. Friday, May 28, sold in Kansas City Monday, 1,167 pounds, 8.25, to Cudahy.

VANCE

[Private-wire telegram.]

ST. JOSEPH, *June 22, 1915.*

INGWERSEN:

Speculators bought here Friday, 18, one load yearlings, 730 pounds, 8.15. Understand sold in St. Louis to-day to Armour, 743 pounds, 8.75.

VANCE

[Private-wire telegram.]

ST. JOSEPH, *June 29, 1915.*

INGWERSEN:

One load heavy natives, bid 9.15 for here Saturday, sold K. C. Monday to Cudahy, 1,676, 9.15.

VANCE

[Private-wire telegram.]

ST. JOE, *July 27, 1915.*

LEAVITT:

Seven loads native steers here Monday, account McConnell Bros. We bid as follows: Three loads heavy cattle, 9 cents; two loads light cattle, 9 cents; two loads light cattle, 8.75; they held all of the above cattle at 9 cents. These cattle were forwarded to K. C., sold there to-day to Cudahy as follows: Fifty-two, average 1,346, 9.00; 83, average 1,079, 8.65.

VANCE

[Private-wire telegram.]

ST. JOSEPH, *October 15, 1915.*

LEAVITT:

Four loads Mexican steers, account Coggens, were bid 6.15 for in Kansas City Thursday; two loads these cattle forwarded this market sold here to-day to Hammond, 977 pounds 6.10. The other two loads were carried over to Kansas City and sold there to-day to Swift, 6.05.

VANCE

[Private-wire telegram.]

ST. JOE, *October 26, 1915.*

LEAVITT:

D. S. & V., forwarded to-day noon, via Burlington five cars heavy natives dehorned, mostly white faces, with few black cattle. On the bid 8.90 for Monday, held at 9.15. Billed M. F. Clay to same, Laclede, Mo. Think these cattle will go to either Chicago or St. Louis.

VANCE

C. H. S.—Went to St. Louis.
W. Leavitt, October 27.

[Private-wire telegram.]

ST. JOE, *October 27, 1915.*

LEAVITT:

Two loads natives here Tuesday, account Fieblin, bid 8.75 for; held at 9.00. sold Kansas City to-day to Armour; weight 1,100—8.75.

VANCE

(In blue pencil:) L. F. S.

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[Private-wire telegram.]

ST. JOE, December 7, 1915.

LEAVITT:

Four loads steers, account Nodaway Valley Cattle Co., here Monday; bld 6.25 for, held at 6.65, forwarded to K. C.; sold there to-day to Cudahy, average, 1,035—6.35.

VANCE.

LOUIS F. SWIFT.

CHICAGO, January 7, 1916.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: Olson & Ernst forwarded from St. Paul, Wednesday the the 5th, one car steers which cost 6.90, St. Paul; bld 6.75, St. Paul. These cattle sold here to-day to S. & S. average 1,235 pounds. 7.60.

Yours, respectfully,

E. A. TAMBLYN.

Copy to L. F. S.—E. F. S.

[Private-wire telegram.]

ST. JOSEPH, January 10, 1916.

LEAVITT:

Speculators forwarded Kansas City Saturday night 14 cars stockers and feeders.

INGWERSEN.

NATIONAL STOCKYARDS, April 26, 1916.

LEAVITT:

Rodgers Nichols forwarded Chicago last night, via C. & A. to Drovers Commission Co., account V. Cooper, one car 34 yearling cattle, bld 8.50, April 18, held here ever since. Please wire sales.

MILLS.

CHICAGO, April 27, 1916.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: Rodgers Nichols forwarded from St. Louis Tuesday, the 25th, one car yearling cattle which 8.50 was bld for, St. Louis, Tuesday, April 18, and held at that point ever since. These cattle sold here to-day to a speculator at 8.40.

Lloyd Bros. forwarded from St. Paul, Monday, the 24th, two cars steers which 8.75 was bld for St. Paul. These cattle sold here to-day to Morris, average 1,388 pounds, 8.85.

Yours, respectfully,

W. LEAVITT.

CHICAGO, May 2, 1916.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: Great Western Sugar Co. had on this market to-day two loads steers, which sold to Armour as follows:

17 steers, 1,440 lbs., 9.50.

16 steers, 1,479 lbs., 9.25.

Great Western Sugar Co. also had on the St. Joseph market Monday, the 1st, two loads cattle, which sold on the above market Monday to Morris, average 1,460 lbs.—9.25.

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CHICAGO, May 4, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Moody Commission Co. forwarded from St. Louis Tuesday, the 2d, one car 25 native steers, which 8.85 was bid for, St. Louis, with 3 steers out at 7.75. These cattle sold here to-day as follows:

11 head, 9.25, Swift.

14 head, 8.50, S. & S.

Yours, respectfully,

W. LEAVITT

CHICAGO, May 18, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: M. F. Hurley bought on St. Paul market Tuesday, the 16th, one load steers and forwarded to Chicago, as follows:

Bought St. Paul May 16: 1 load steers, 8.85.

Sold Chicago May 18: 1 load steers, 1,264 lbs., 9.20, Morris.

Yours, respectfully,

W. LEAVITT

CHICAGO, May 19, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Baker & Wheeler sold in St. Louis to-day: 37 yearling cattle 600 pounds, 9.00 to Armour; 1 load yearlings, 638 lbs., 8.55, with 6 out at 8.25; 1 out at 7.00 to East Side P. Co.

These cattle were forwarded from St. Joseph. Baker & Wheeler are speculators on St. Joseph market in stockers and feeders, and they have been buying yearling cattle on eastern orders. Above cattle were pick-ups and sorted off of other cattle Baker & Wheeler had bought. Can not give costs St. Joseph.

Yours, respectfully,

W. LEAVITT.

CHICAGO, May 31, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: W. W. Adamson forwarded from St. Louis Monday, the 29th, five loads native steers, as follows:

Bid St. Louis Monday, 5/29: 105 native steers, 8.25 for half, 8.35 for balance.

Sold Chicago Wednesday, 5/31: 38 steers, 1,090 lbs., 8.25, Darlington; 4 steers, 1,107 lbs., 8.25, Darlington; 23 steers, 1,058 lbs., 7.75 Darlington.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 12, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Referring to copy of M. C. Welsh's (Denver) letter sent you this morning, will say two loads California cattle which sold in Denver Thursday, average 1,200 pounds, at 9.40, and which were forwarded to Kansas City sold at that market to Morris to-day as follows:

26 average, 1,108 pounds, 9.00.

26 average, 1,134 pounds, 8.75.

Yours, respectfully,

W. LEAVITT

CHICAGO, June 12, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: H. J. Whalen forwarded from Milwaukee Saturday, the 10th, one load of cattle.

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Cost Milwaukee June 10; 1 load cattle, 7.90.

Sold Chicago June 12: 10 steers, 906 pounds, 8.25, Lawler; 4 steers, 1,102 pounds, 8.00, S. & S.; 4 helpers, 790 pounds, 8.00, Morris; 1 cow, 750 pounds, 5.60, Shirley.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 14, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Speculators bought on Fort Worth market Friday, the 9th, 4 loads steers, and forwarded to St. Louis as follows:

Bought Fort Worth Friday, June 9: 2 loads steers, 1,085 pounds, 8.00; 2 loads steers, 1,000 pounds, 7.50.

Sold St. Louis June 13: 2 loads steers, 1,016 pounds, 8.00, Armour; 2 loads steers, 948 pounds, 7.85, Armour.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 21, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: D. S. & V. forwarded from St. Joseph Monday, the 19th, 3 loads horned Texas, which sold here as follows:

Bid St. Joseph June 19: 3 cars horned Texas, bid, 8.75; held, 8.90.

Sold Chicago June 21: 3 loads horned Texas, 8.90, S. & S.

National Live Stock forwarded from St. Louis Tuesday, the 20th, 1 load cows, which sold here as follows:

Bid St. Louis June 20: 1 load native cows, bid 6.40.

Sold Chicago June 21: 1 load native cows, 6.75, speculators.

Cooper & Sons forwarded from St. Louis Tuesday, the 20th, 1 load cattle sold here:

Bid St. Louis June 19: 1 load cattle, bid 9.25; afterwards could not get price.

Sold Chicago June 21: 1 load cattle, 9.00, Hammond.

Warren & Co. forwarded from St. Louis Tuesday, the 20th, 2 loads cattle—sold here to-day:

Bid St. Louis June 19: 2 loads cattle, bid 9.30; afterwards could not get price.

Sold Chicago June 21: 2 loads cattle, 9.50, order buyers.

Ed. Warham forwarded from St. Louis Tuesday, the 20th, 2 loads cattle—sold here to-day:

Bid St. Louis Tuesday, the 20th: 2 loads cattle, no bid.

Sold Chicago June 21: 2 loads cattle, 9.90, S. & S.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 23, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Landers & Hess forwarded from St. Louis Wednesday, the 21st, 1 car native steers—sold Chicago as follows:

Bid, St. Louis, June 21: 1 load native steers, bid 9.40; afterwards could not get price.

Sold, Chicago, June 23: 1 load native steers, 9.75, S. & S.

Prey Bros. forwarded from St. Joseph Tuesday, the 20th, 3 loads pulp cattle—sold St. Louis as follows:

Bid, St. Joseph, Monday, June 19: 3 loads pulp cattle, bid 9.25, held 9.50.

Sold, St. Louis, Wednesday, June 21: 3 loads pulp cattle, 1,158 pounds, 9.00, Morris.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 23, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Bunkle & Ray forwarded from St. Louis Tuesday, the 20th, 2 cars cattle and sold on this market as follows:

Bid, St. Louis, June 20: 2 loads cattle, no bid.

Sold, Chicago, June 22: 2 loads cattle, 9.75, Armour.

Yours, respectfully,

W. LEAVITT.

2340 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

CHICAGO, June 26, 1916

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Lee Live Stock forwarded from St. Joseph Wednesday, the 21st, 3 loads cattle—sold here to-day as follows:

Bid, St. Joseph, Wednesday, 21: 21 black steers, 10.80, held 11.10; 35 white faces 10.80, held 11.10; 11 mixed blacks, 7 whites, 10.40, held 10.50.

Sold, Chicago, Monday, 26: 23 blacks, 1,186 pounds, 10.75, Swift; 37 white faces, 1,186 pounds, 10.90, United.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 26, 1916

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Clay Robinson forwarded from Omaha Thursday, the 22d, 4 loads cattle—sold here to-day:

Bid, Omaha, Thursday, the 22d: 4 loads good heavy dehorned white-face steers, 10.50.

Sold, Chicago, Monday, the 26th: 4 loads good heavy dehorned white-face steers, 10.65, S. & S.; with 1 steer out at 9.50.

Yours, respectfully,

W. LEAVITT.

CHICAGO, July 6, 1916

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: J. Sammer forwarded from St. Louis Wednesday, the 5th, 1 load steers—sold Chicago to-day as follows:

Bid, St. Louis, Wednesday, the 5th: 1 load steers, 10.50; afterwards not get price.

Sold, Chicago, Thursday, the 6th: 1 load steers, 1,439 pounds, 10.30, N. Y. B.

H. H. Crawford forwarded from St. Louis Wednesday, the 5th, 1 load steers—sold Chicago to-day as follows:

Bid, St. Louis, Wednesday, the 5th: 1 load steers, asked 10.50, received bid.

Sold, Chicago, Thursday, the 6th: 18 steers, 1,540 pounds, 10.40, Morris.

Yours, respectfully,

W. LEAVITT.

CHICAGO, July 6, 1916

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: C. Douglass forwarded from St. Louis Wednesday, the 5th, 3 loads steers—sold Chicago to-day as follows:

Bought, St. Louis, Wednesday, the 5th: 3 loads steers 9.40.

Sold, Chicago, Thursday, the 6th: 3 loads steers, 9.35, Morris.

Yours, respectfully,

W. LEAVITT.

CHICAGO, July 13, 1916

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: Davis Commission Co. forwarded from St. Louis Tuesday, the 11th, 1 car cattle—sold Chicago to-day:

Bid, St. Louis, Monday, the 10th: 24 native steers 9.85.

Sold, Chicago, Thursday, the 13th, 24 native steers, 1,314 pounds, 9.75, Hammond.

Yours, respectfully,

E. A. TAMBLYN.

CHICAGO, August 22, 1916

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: Cassidy forwarded from Fort Worth Saturday, the 19th, 6 loads steers:

Bid, Fort Worth, Saturday, August 19: 6 loads steers 7.10, with 20 cattle out 6.50.

Sold, St. Louis, Tuesday, August 22: 6 loads steers, 1,087, 7.15, Swift.

Yours, respectfully,

W. LEAVITT

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CHICAGO, August 25, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: Wm. Murphy forwarded from St. Louis Tuesday, the 22d, 4 cars cattle—sold Chicago, Thursday, the 24th:

Bid, St. Louis, Tuesday, the 22d: 100 native steers 7.10.

Sold, Chicago, Thursday, the 24th: 100 native steers 6.75, Armour.

Yours, respectfully,

E. A. TAMBLYN.

CHICAGO, September 12, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: Drumm forwarded from St. Louis Monday, the 11th, the following cattle, and sold here as follows:

Bid, St. Louis, Friday, September 8: 4 loads westerns 7.25, 2 loads westerns 7.25.

Sold, Chicago, Tuesday, the 12th: 4 loads westerns 7.20, Armour; 2 loads westerns 7.05, Armour.

Bid, St. Louis, Monday, September 11: 2 loads westerns not offered; 10 loads westerns not offered.

Sold, Chicago, Tuesday, the 12th: 2 loads westerns 7.50, Armour; 10 loads westerns 7.60, Armour.

Yours, respectfully,

W. LEAVITT.

CHICAGO, September 27, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: National forwarded from St. Louis Tuesday, September 26, 2 loads native steers—sold Chicago to-day as follows:

Bid, St. Louis, September 26: 3 cars 50 native steers, 9.25; afterwards could not get price.

Sold, Chicago, September 27: 50, 1,162 pounds, 9.50, Armour.

Yours, respectfully,

W. LEAVITT.

CHICAGO, October 11, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: Heller & Akerman bought on St. Louis market Tuesday, October 10, 3 loads native steers and forwarded to Chicago, as follows:

Bid, St. Louis, October 10: 3 loads 73 native steers, no bid.

Sold, Chicago, October 11: 35 average, 1,180 pounds, 10.85, United; 29 average 945, pounds, 10.60, Swift.

Yours, respectfully,

W. LEAVITT.

CHICAGO, October 12, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: Alexander Ward forwarded same Chicago account L. G. Hill 2 cars 55 steers:

Bid, St. Louis, October 11: 2 cars 55 head, no bid.

Sold, Chicago, October 12: 2 cars 57 head, 1,347 pounds, 8.40, Swift.

Yours, respectfully,

W. LEAVITT.

NOVEMBER 9, 1916.

Mr. CHARLES H. SWIFT, General Office.

DEAR SIR: Drum Commission Co. forwarded from St. Louis November 8—to Chicago—1 car native steers, as follows:

Bid, St. Louis, November 8: 1 car 22 native steers, 10.35.

Sold, Chicago, November 9: 4 at 8.00; 18 at 10.15, to Morris.

Fry Hanna Harrison forwarded from St. Louis November 8—to Chicago—1 car native steers, as follows:

Bid, St. Louis, November 8: 1 car 22 native steers, 8.75.

Sold, Chicago, November 9: 22 average, 1,155 pounds, 8.75, Hammond.

Yours, respectfully,

W. LEAVITT.

2342 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

CHICAGO, November 16, 1916.

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: T. E. Sharp forwarded from St. Louis Tuesday, the 14th, 1 car cattle—sold Chicago Thursday:

Bid, St. Louis, Tuesday, the 14th: 1 load steers, no bid, asked 10.60.

Sold, Chicago, Thursday, the 16th: 1 load steers, 1,400 pounds, 9.90.

Yours, respectfully,

W. LEAVITT.

SOUTH ST. PAUL, MINN., November 18, 1916.

Mr. W. LEAVITT:

Wired you Wednesday about a 5-load shipment of cattle billed Hunt to McCausland, Hoag, N. V. These cattle were on Wednesday's market. Understand 7 of these steers sold for 7.65, 20 at 7 cents, cows and helpers at 6½ cents, with 2 at a nickel.

Is this correct?

Yours, respectfully,

L. E. DAUBNEY.

CHICAGO, November 20, 1916.

Mr. L. E. DAUBNEY, *South St. Paul, Minn.*

DEAR SIR: In reply to your favor of the 18th, will say Hunt cattle to McCausland, Hoag & Turner sold as follows: 76 steers 7.15, 20 steers 6.30, 9 cows 6.25, 1 cow 5.50, 1 cow 4.75.

Yours, respectfully,

W. LEAVITT.

CHICAGO, November 21, 1916.

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: Clay Robinson forwarded from St. Louis Saturday, the 18th, 3 cars Texas—sold Chicago, Monday, the 20th:

Bid, St. Louis, Saturday, November 18: 3 cars 75 coarse Texas 7.00.

Sold, Chicago, Monday, November 20: 75 Texas, 1,018 pounds, 6.85, Swift.

Yours, respectfully,

W. LEAVITT.

CHICAGO, November 22, 1916.

Mr. CHARLES H. SWIFT, *General Office.*

DEAR SIR: G. S. Davis forwarded from St. Louis Monday, the 20th, 2 loads steers—sold Chicago to-day:

Bid, St. Louis, Monday, the 20th: 2 cars native steers 7.75.

Sold, Chicago, Wednesday, the 22d: 42 steers, 1,167 pounds, 7.60, Swift; 1 bull, 1,450 pounds, 7.00, Swift.

Yours, respectfully,

W. LEAVITT.

SOUTH ST. PAUL, MINN., November 23, 1916.

Mr. W. LEAVITT:

C. Vassau forwarded to Clay R., Chicago, 5 cars western cattle; 2 cars Mexicans asks 7 cents, 1 car steers asked 8½ cents, 1½ cars steers asked 7½ cents. Balance of these 5 cars were cows. Did not bid on these cattle.

Rude, Canton & Johnson forwarded to Walters & Dunbar 2 cars 50 cattle. One car steers cost 7½ cents, balance mixed stuff.

Would like to have sale on these cattle if convenient.

These cattle to be on Friday's market.

Yours, respectfully,

L. E. DAUBNEY.

CHICAGO, November 24, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Drumm forwarded from St. Louis Thursday, November 23, to Chicago the following:

Bid St. Louis November 23: 1 car native steers, 9.00.

Sold Chicago November 24: 1 car native steers, 8.75, Wilson.

Yours, respectfully,

W. LEAVITT.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2343

CHICAGO, November 24, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Moody Com. Co. forwarded from St. Louis Thursday, November 23, to Chicago the following cattle:

Bid St. Louis November 23: 34 native yearling cattle, 6.25.

Sold Chicago November 24: 13 steers, 1,045 pounds, 7.10, Wilson; 15 yearling cattle, 754 pounds, 6.35, Swift; 6 yearling cattle, 754 pounds, 6.00, Swift.

Yours, respectfully,

W. LEAVITT.

NOVEMBER 28, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: C. Vassau forwarded from St. Paul November 23 the following cattle:

Five cars western cattle: 2 cars Mexicans, asked 7c.; 1 car steers, asked 8½c.; 1½ cars steers, asked 7½c.. balance cows.

Sold Chicago November 27: 21 steers, 1,169 pounds, 8.25, U. D. B.; 43 steers, 991 pounds, 7c., Swift; 43 Mexicans, 883 pounds, 6.85, Morris; 12 cows, 998 pounds, 6.50, Swift; 5 bulls, 1,110 pounds, 5.75, Morris.

No bid on these cattle St. Paul.

Rude, Canton & Johnson forwarded from St. Paul Thursday, November 23, the following cattle:

Two cars, 50 cattle; 1 car steers, cost 7½c.; balance mixed stuff.

Sold Chicago November 27 (to Morris): 21 steers, 1,240 pounds, 7.50; 1 cow, 1,350 pounds, 6.60; 4 heifers, 720 pounds, 6c.; 1 bull, 1,510 pounds, 5.50; 9 heifers, 635 pounds, 5c.; 5 steers, 650 pounds, 5c.; 4 cows, 990 pounds, 4.80; 1 bull, 520 pounds, 4.50; 4 cows, 995 pounds, 4.25.

Yours, respectfully,

W. LEAVITT.

SOUTH ST. PAUL, MINN., December 2, 1916.

Mr. W. LEAVITT,
Chicago, Ill.

DEAR SIR: Clay Robinson forwarded 15 cars of Montana cattle to Chicago Friday night for Monday's market. They have 6 cars that are going out tonight for Monday's market. These 15 cars are the cattle we wired about yesterday. They are billed as follows: F. Miller to Clay Robinson, 1 load; Sloan to Clay Robinson, 5 cars; Amos to Clay Robinson, 2 cars; Culberson to Clay Robinson, 2 cars; Falkner to Clay Robinson, 5 cars.

I bid 7½ cents on the Miller load. On the other cattle from 6½ to 7½ cents, making them average about 7½.

Would like sale on these cattle if convenient.

Yours, respectfully,

L. E. DAUBNEY.

CHICAGO, December 5, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Clay Robinson forwarded from St. Paul, the 1st, 15 loads cattle; sold Chicago, Monday, the 4th.

Bid St. Paul, Friday, December 1: Bid 7.50 for one load; bid 6.50 to 7.75, making average bid price about 7.25.

Sold Chicago, Monday, December 4: 71, average 1,130 pounds, 7.55, Hammond; 29, average 971 pounds, 6.85, Hammond; 34, average 906 pounds, 6.70, Morris; 24, average 1,061 pounds, 6.75, Morris; 68, average 1,131 pounds, 8.15, Independent; 17, average 1,235 pounds 8.15 Independent; 58 average 1,104 pounds, 7.40, Morris.

Yours, respectfully,

W. LEAVITT.

2344 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

SOUTH ST. PAUL, MINN., April 28, 1917.

Mr. W. LEAVITT:

Prouty shipped two loads of cattle to Roach Live Stock Commission Co.; one load was mixed stuff, the other load steers; 14 cost 11½ cents; 6 cost 10 cents Monday's market. Would like sale.

Yours, respectfully,

L. E. DAUBNEY.

CHICAGO, May 2, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Prouty bought on St. Paul market Saturday, April 28, one head cattle and forwarded to Chicago, as follows:

Bought St. Paul, Saturday, April 28: 14 cattle, 11.50; 6 cattle, 10.00.

Sold Chicago, Wednesday, May 2: 16 cattle, 10.75, Wilson; 4 cattle, 9.75, Guggenheim.

Yours, respectfully,

W. LEAVITT.

CHICAGO, May 9, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: C. L. Tillman forwarded from Milwaukee, Tuesday, the 8th, two cars cattle, sold Chicago to-day:

Bid Milwaukee, Tuesday, the 8th: 14 cows, 8.85; 5 cows, 8.00; 11 cows, 7.50. 4 cows, 7.00; 1 bull, 9.50; 5 bulls, 8.75.

Sold Chicago, May 9: 13 cows, 8.65, Armour; 1 cow, 9.35, Gainey Bros.; 10 cows, 7.35, Guggenheim; 10 cows, 7.75, Armour; 1 bull, 9.25, E. Cann, speculator; 2 bulls, 9.00, E. Cann, speculator; 3 bulls 8.50, E. Cann, speculator.

C. L. Wurst forwarded from St. Paul, Monday, the 7th, three cars steers, sold Chicago to-day:

Bid St. Paul, Monday, the 7th: 2 cars steers, 10.00; 2 cars steers, 10.00.

Sold Chicago, Wednesday, the 9th: 13 head, 9.75, Armour; balance, 10.50, Armour; 1½ loads, 10.70, Wilson; balance, 10.25, Wilson.

Yours, respectfully,

W. LEAVITT.

CHICAGO, May 11, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Johnson Bruber forwarded from St. Paul May 9, 26 steers, as follows:

Bid St. Paul May 9: 26 steers, speculators, 10.50; with 5 out which did not bid Thursday's market.

Sold Chicago May 11: 26 steers, 11.10, Morris.

Gall Bros. forwarded from St. Paul May 10 one car 22 steers, as follows:

Bid St. Paul May 10: 22 steers, 10.75.

Sold Chicago May 11: 22 steers, 11.50, Morris.

Yours, respectfully,

W. LEAVITT.

NATIONAL STOCK YARDS, ILL., May 23, 1917.

Mr. W. LEAVITT,
Chicago, Ill.

DEAR SIR: Drake & Sons, speculators on this market through Landers Commission Co., are shipping few canners to Chicago daily, mostly pick-up cattle in the native and Texas division.

These folks hardly ever ship their cattle same day bought.

Seen a piece of a load of their cattle they have on hand to-day with salt in the water trough instead of water. Understand now that they have been salting their cattle right along, and that the Traders' Exchange has called a meeting to-day with the view of having salting stopped.

They ship their cattle under fictitious names; think mostly to Rappall Bros. This for your information.

Yours, respectfully,

GEO. B. MILLS.

MAY 24, 1917.

MR. CHARLES H. SWIFT:

The above cattle sold here to-day as follows: 1 load, 7.40, to Libby; 2 loads, 7.20, Morris; 1 load, 7.50, Morris. Drake shipped 127 native and Texas pick-up cattle out of 152 lot which averaged 697 pounds and cost 7.25 St. Louis.

W. LEAVITT.

CHICAGO, May 28, 1917.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: C. W. Jewel forwarded from St. Paul Saturday, the 26th, one car steers; sold Chicago to-day:

Bid St. Paul Saturday, May 26: 22 steers, 12.00.

Sold Chicago Monday, May 28: 22 steers, 1,182 pounds, 11.75, Swift.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 7, 1917.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: M. & M. forwarded from St. Louis June 6, 2 cars 31 native steers, which sold to-day on Chicago market as follows:

Bid St. Louis June 6: 2 cars, 31 native steers, 12.60.

Sold Chicago June 7: 30, average 1,253 pounds, 12.75, Armour.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 13, 1917.

MR. L. E. DAUBNEY,
South St. Paul, Minn.

DEAR SIR: Burns Bros. had here to-day the following cattle consigned to Clay Robinson & Co., which sold as follows:

34 steers, 1,214 pounds, Morris, 12.60.

18 steers, 1,161 pounds, Morris, 12.00.

Yours, respectfully,

W. LEAVITT.

CHICAGO, June 27, 1917.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: Austin, Hamill, and Dickson forwarded from St. Joe Monday, June 25, 3 cars natives as follows:

Bid St. Joe June 25: 2 loads, weigh 1,600 pounds, 13.45; 1 load, 13.55.

Sold Chicago June 27: 3 loads, 1,480 pounds, 13.65, Armour.

Yours, respectfully,

W. LEAVITT.

CHICAGO, August 8, 1917.

MR. CHARLES H. SWIFT,
General Office.

DEAR SIR: Milton Marshall forwarded August 7 from St. Louis 2 cars native steers as follows:

Bid St. Louis August 7: 2 cars native steers, 12.60.

Sold Chicago, August 8: 2 cars native steers, 13.00, Swift.

Yours, respectfully,

W. LEAVITT.

DENVER, COLO., October 5, 1917.

MR. W. LEAVITT,
Chicago, Ill.

DEAR SIR: Colorado Packing & Prov. Co. shipped last night to Kansas City 2 cars of cattle (total, 48), cost as follows:

40 cows, 1,041 pounds, 7.35, plus 14 cents freight.

6 cows, 986 pounds, 6.00, plus 14 cents freight.

1 helper, 820 pounds, 7.00, plus 14 cents freight.

1 bull, 1,440 pounds, 6.75, plus 14 cents freight.

Yours, respectfully,

M. C. WELSH.

INDIANAPOLIS, IND., October 6, 1917.

Mr. W. LEAVITT.

DEAR SIR: The load of good cattle wrote you about on our market this week will be on Chicago market Monday, October 8, consigned to D. L. Trout, 20 head.

These cattle were on Indianapolis market Thursday and the commission man caught weight on them late in day and weighed as follows: 20 cattle, 29,890. In order that they should not get too full for Friday, the day I was to go out and look at them, they were fed but little and water left on—still at that when we again caught weight Friday, they gained 200 pounds, weighing 30,090 pounds.

I bid for these cattle on Thursday's weights—29,890—\$17.35; offered to take 17.45. Consider I did my duty. These cattle are fat and will make pretty good yield, but are not as good quality as expected them to be—little coarse.

Please wire sale and average weight.

Yours, respectfully,

E. L. WOODWARD.

CHICAGO, October 8, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Joe Smith of Mulberry, Ind., shipped from Indianapolis Friday, the 5th, one car cattle; sold Chicago to-day as follows:

Bld Indianapolis, October 5: 20 cattle, 1,494 pounds, 17.35.

Sold Chicago Monday, October 8: 20 cattle, 1,479 pounds, 16.50, Morris.

Yours, respectfully,

W. LEAVITT.

CHICAGO, October 23, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Meyer forwarded from Milwaukee, Monday, the 22d, one load cattle which sold here to-day as follows:

Bld Milwaukee, Monday, October 22: 12 cows, 6.00; 5 cows, 5.75; 9 cows, 5.25; 3 heifers, 6.75.

Sold Chicago, Tuesday October 23: 12 cows, 5.80; 5 cows, 6.10; 9 cows, 5.30; 3 heifers, 6.75.

Yours, respectfully,

W. LEAVITT.

CHICAGO, October 25, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Place & Geritts forwarded from Milwaukee, Wednesday, the 24th, 3 loads steers sold Chicago to-day as follows:

Bld Milwaukee, October 24: 50 steers, 9.25; 10 steers, 7.50.

Sold Chicago, October 25: 1 load, 9.85, Kellar; 1 load, 9.75 Kellar; 1 load, 10.00, Swift.

Yours, respectfully,

W. LEAVITT.

CHICAGO, November 8, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Lee live stock forwarded from St. Joseph Monday, the 5th, 5 loads cattle to Chicago as follows:

Bld St. Joseph, Monday, the 5th: 4 loads dehorned natives, 1,250 pounds, 12.00; with 5 out at 9.50; offered to sell late at 12.00 with 3 out at 9.50.

Sold Chicago, Thursday, the 8th: 68 cattle, 1,222 pounds, 11.75, Swift; 3 cattle, 1,049 pounds, 10.50, Swift; 6 cattle, 950 pounds, 9.45, J. Martin.

Yours, respectfully,

W. LEAVITT.

NOVEMBER 16, 1917.

Mr. CHARLES H. SWIFT, *General Office*.

DEAR SIR: Referring to my letter of November 14 reporting on two loads natives forwarded from St. Joseph November 13, bill W. F. Clay. Please cancel this letter and substitute the following:

Two loads W. F. Clay cattle arrived Thursday from St. Joseph and were sold at Chicago November 16, as follows:

Bid on St. Joseph market 11/13: Two loads natives, average around 1,350 pounds, 11.75.

Sold Chicago 11/16: Two loads natives, 1,300 pounds, 13 cents; with two out, 1,300 pounds, 12 cents.

Yours, respectfully.

W. LEAVITT.

NOVEMBER 22, 1917.

Mr. CHARLES H. SWIFT, *General Office*.

DEAR SIR: Western man shipped from St. Paul to Chicago Wednesday, November 21, 4 cars cattle, as follows:

Cost St. Paul, November 21: 2 cars steers, 14.00; 1 car steers, 14.00.

Sold Chicago, November 22; 20 steers, 1,206 pounds; 11.25, Wilson; 39 steers, 1,358 pounds, 11.75, Monroe; 3 steers, 1,756 pounds, 14 cents.

Yours, respectfully.

W. LEAVITT.

CHICAGO, *December 31, 1917.*

Mr. CHARLES H. SWIFT, *General Office*.

DEAR SIR: S. Nelson, speculator, shipped from St. Paul, Thursday, the 27th, one car cattle; sold Chicago Monday, the 31st, as follows:

Bought St. Paul, Thursday 12/27: 23 cattle, 8.75.

Sold Chicago, Monday 12/31: 15 steers, 918 pounds, 9.25, Daniels; 4 cows, 897 pounds, 7.50, Armour; 3 cows, 883 pounds, 6.00, Armour; 1 bull, 600 pounds, 7.00, Libby.

Yours, respectfully.

W. LEAVITT.

[Private wire telegram.]

ST. PAUL, *February 4, 1918.*

LEAVITT:

Cattle shipped February 3d B. & Clark to Wood Bros., Chicago, 2 cars, 57 cattle; C. J. Stoney to Swanson and G., Chicago, 1 car, 23.

DAURNEY.

COLLUSIVE SELLING.

The commission found that the five companies—Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co.—act in collusion in the sale of dressed meat, these activities being evidenced by:

(a) Exchange of information regarding "margins" realized in the sale of meat;

(b) Inspection of one another's stocks of fresh meats; and

(c) Joint action in underselling independent competitors by a system of rotation, each of the members of the combination in turn assuming the burden of cutting prices to the competitor's customers.

EXCHANGE OF INFORMATION.

With regard to this practice of the packers the commission pointed out on page 107 of its report that—

"By their exchange of information as to the 'margins' on sales of meat at the different markets they are able to keep their average prices so uniform that practically every retail butcher examined on this point by the agents of the commission stated that for the same kind and grade of meat there is no perceptible difference in the prices charged by the different big packers."

Mr. Armour denies that this exchange takes place knowingly, and has stated as follows:

"It is said that the five big packers exchange information regarding margins realized in the sale of meat. We do not knowingly give information to our competitors about our margins, but we have no doubt that they are as interested in ours as we are in theirs and that they make as much of an effort to find out what we are doing as we do about what they are doing. We do not know how we could compete with other firms unless we keep ourselves informed as to their prices and we do not regard it as a violation of business ethics to attempt to find out from the trade the facts about which we are concerned. In every line of commercial activity these practices are in daily use and are regarded, as they are in fact, honorable and legitimate in every way."

But the written evidence quoted on page 11 of the report of the commission shows that Armour & Co. has furnished the Cudahy Packing Co. with its margin figures on profit and loss, this letter, from E. A. Cudahy to M. R. Murphy, general superintendent of the Cudahy Packing Co., stating:

"I inclose you a memorandum that Mr. Shepard got from one of Armour's men, showing a comparison of test figures for Armour & Co., as compared with ours, of the the different markets in which we are represented. You will note that we compare very closely with them on all the houses except Kansas City, where we show a difference of 75 cents a hog loss, as against their 15 cents a hog loss. And you will note by Mr. Hodge's message, addressed to their Chicago office, that they feel quite well satisfied about the way they are buying their hogs, and the way they are figuring out, and I don't believe that if the results were as bad as ours that Mr. Hodge would feel justified in sending any such message."

Moreover, attention was called to the fact that—

"The Sulzberger Black Book shows that at the various meetings of the principals of Armour & Co., Swift & Co., Morris & Co., and Sulzberger & Sons Co. the question of margins on sales of the different companies was frequently discussed."

It was pointed out on page 111 of the commission's report that this Black Book records that at certain meetings of the packers Arthur Meeker for Armour & Co. reported a margin of about "35 plus in the United States," and that a Morris & Co. representative reported "for the West net plus 0.35 last week New York showed poor last month."

Again, on page 112, it is shown that the Black Book records a meeting at Armour's office, at which were present J. Ogden Armour, a representative of Morris & Co., a representative of Swift & Co., and Germon F. Sulzberger, and that J. Ogden Armour reported that his company "showed plus 10 last week but worse for this week." These are clear cases of communicating margins to competitors, and those men who learned that Armour & Co. showed plus 10 did not receive their information by picking it up from the trade, as Mr. Armour contends.

Again, on pages 112 and 113 of the report, an exchange of correspondence between R. Wilson, department manager for Armour & Co., and A. H. Van Pelt, district manager for the Boston district for the same concern, was quoted in which Wilson takes Van Pelt to task for showing 32 cents "worse off" than "a certain big competitor (evidently Swift & Co.), and Van Pelt replies by furnishing a comparative weekly statement, extending from November, 1917 through March, 1918, in which Armour's margins are set over against those of the "big competitor."

INSPECTION OF STOCKS OF FRESH MEATS.

On page 107 of part 2 of its report the commission stated as follows concerning the big packers and their sales of dressed meat:

"In selling their dressed meats in the domestic market the big packers no longer of necessity hold weekly meetings to eliminate competition as they do under the Veeder pool.

"Their present agreement as to the division of live-stock purchases results in limiting the amount of dressed meats each will have for sale in proportion approximately to the percentage of live animals purchased under the purchasing agreement. By inspection of one another's branch-house stocks they are enabled to prevent an oversupply of fresh meat in any market."

The fact of the purchasing agreement remains established by the statistical record on pages 49 and 50 of the commission's report, part 2. It is difficult to

conceive that the packers arrived at those percentage relations merely by chance and by chance maintained them.

Mr. Armour admits daily interinspection of branch houses. As to this inspection he said before the Senate Committee on Agriculture:

"That is a part of their business, to know what their competitor has; that is the only way our man has of judging how much to ask for his beef and how much to get for his beef, whether he shall sell his beef promptly at the first bid he can get or whether he shall hold it in the hope of getting more. He can only judge that by his observation of how much beef there is on the market. All of those beef houses are on one row.

"Mr. HENEY. Yes; they are all in the same vicinity, and they are all well connected with each other.

"Mr. ARMOUR. Naturally.

"Mr. HENEY. And they are all on a very friendly basis, are they not?

"Mr. ARMOUR. I think so.

"Mr. HENEY. And they naturally discuss the market among each other every day?

"Mr. ARMOUR. Naturally."

It is submitted that this exchange of information is the legacy of the old pool where information was exchanged and agreements made for the purpose of maintaining prices, and that it operates just as effectually to-day in securing this end is shown by the testimony of retail butchers, given on page 107 of part 2 of the report by the commission, that "for the same kind and grade of meat there is no perceptible difference in the prices charged by the different packers." In this connection Mr. Armour, before the Senate Committee on Agriculture, said:

"Mr. HENEY. Is it not a fact that the five big packers are operating on exactly that principle (principle of Veeder pool) now, that none of them aggressively interfere with any of the other four as long as the other four are willing to let the map as it existed in the time of the Veeder pool remain, and as long as he does not attempt to grab off any larger percentage of the total business than he had before, unless he acquires some outside plant—takes in that additional party?

"Mr. ARMOUR. That is not wholly true.

"Mr. HENEY. Well, is that not nearly so?

"Mr. ARMOUR. In part, that is true, to this extent, that all the packers have a certain amount of business that they have drifted into—shall I use that expression 'drifted into'? The pool may have had something to do with it; probably it did; but we drifted into it."

JOINT ACTION IN UNDERSELLING.

On page 107 of its report, after pointing out that, by means of their exchange of margins, the packers are able to keep their average prices so uniform that there is no perceptible difference in their prices on the same grade of meat, the commission stated that—

"The exceptions are cases where a rotation in price cutting is practiced in order to drive an independent out of the market."

The testimony of Charles H. May, manager of the Farmers' Cooperative Packing Co., Madison, Wis., was introduced as an illustration of this practice, and is found on page 116 of the report. Mr. May testified that he had kept a schedule, covering a period of five months, which showed that a rotation of price cutting was carried on at Madison by the branch houses of Swift & Co., Armour & Co., Morris & Co., and the Cudahy Packing Co., and produced his record.

Mr. Swift has stated that it would be impossible for the packers to have such an arrangement without the local manager, the salesman, and the office people knowing it, and he maintained that if underselling occurred it was probably due to the local house having had a larger shipment than its demand called for. Asked by Senator Norris if such excessive shipments could not be made by the officers at the main office—Chicago, or Omaha, for example—without the knowledge of the local branch-house manager, Mr. Swift replied that "that would have to be by arrangement with competitors in Chicago," that "the people in Chicago would have to know about it."

These statements quadrate with the evidence submitted by the commission in its report: It has shown that this rotation of price cutting occurred at Madison, Wis., Salt Lake City, San Antonio, and has evidence of the same practice at

other points. The San Antonio evidence states that the local managers for the Chicago packers claimed that twice as much meat was sent them as they had ordered, and that they had to sell low. It is submitted that such rotation of price cutting as is described in the report of the commission was not the result of mere chance, but that, to quote Mr. Swift, it "would have to be by arrangement with competitors in Chicago—the people in Chicago would have to know about it."

CREAM BUYING.

In his testimony before your committee Mr. L. D. H. Weld, of Swift & Co., criticized the commission for pointing out that the big five do not buy cream in the same towns. He said that there are generally one or more independent cream buyers in each town where the big packers buy. He then took the position that it was natural that the big packers do not establish buying stations in the same towns. He said:

"You understand that there are hundreds of thousands of these shipping points, and, naturally, if we have established a cream-buying station at one point, Mr. Armour, in establishing a cream-buying station naturally goes to one of the few hundred thousand other places where he can buy cream rather than to go to the same place where we are."¹

Mr. Weld did not deny the fact brought out by the commission that the cream buyers of Swift & Co. generally agree with the competitive independent buyers on the prices which will be paid for cream. He defended the local cream price agreements in the following words:

"Mr. WELD. The point I am trying to make now is that these local cream buyers at any one given point practically have to pay the same price for cream. They naturally get to that same level. If one pays less he does not get any business, and his living depends very largely, oftentimes, on his cream business although he generally has other business, too.

"Now, there is no doubt in the world but what these local cream buyers have often, and probably do to-day, exchange information to-day as to what prices they are paying for cream."²

After admitting the fact of the existence of the local cream-price agreement Mr. Weld contended that Swift & Co. had done its utmost to try to eradicate those agreements. To prove his point he submitted to the committee a copy of the produce instructions which were sent out by Swift & Co. on February 11, 1915. Then he stated that the Federal Trade Commission had access to these instructions which Swift & Co. had issued from time to time, but that the commission did not insert a copy of the instructions in its report. As a matter of fact the commission did point out from time to time that Swift & Co. sent out instructions to its produce dealers warning them against making price agreements with their competitors.

On page 147 of Part II of the commission's report is given a letter, March 2, 1915, from Louis F. Swift to Edward F. Swift in which Mr. Louis F. Swift pointed out that the Missouri Supreme Court had fined Swift & Co. \$25,000, and stated that—

"* * * * * Our chances on the produce department suit are immensely better on account of this \$25,000 fine being on record. * * * Consequently we must give positive instructions to the produce department and all other departments to keep themselves clear."

Again, on pages 149-150 of Part II the commission gives a copy of Swift & Co.'s general instructions to the produce department in reference to making agreements with their competitors. A copy of this instruction, dated March 1, 1916, which, the commission stated, was "just after the introduction, in February, 1916, of resolutions in the House of Representatives calling for an investigation of the packing industry." The commission was unable to find any instructions against local price agreements which were not issued at the time of an impending lawsuit against Swift & Co., or an impending investigation of the business of the company, and even those copies of instructions, which were found, taken together, indicate that Swift & Co. was warning its agents against making price agreements with their competitors which would be construed by the court as price agreements. But there was nothing to indicate that these local agents were not to make agreements under cover with their competitors. Mr. McManis

¹ Hearings before the Committee on Interstate and Foreign Commerce, H. R. 15334, p. 2409.

² House hearings, vol. 10, pp. 2412-2413.

"general man" letter, given on page 148 of Part II, showed that it was purposed to effect secret agreements with competitors.

THE RELATIVE ADVANTAGES OF HAVING LARGE AND SMALL PACKING COMPANIES.

Mr. Edward Morris, in his statement before your committee, took the position that the efficiency of the big packing companies is unquestioned. He said:

"The efficiency of the big packers is conceded. The report of the Federal Trade Commission will be searched in vain for one bit of evidence pointing to inefficiency. With efficient conduct of the business being established, then if the profits of the packer are small, there can be no ground for complaint."¹

As a matter of fact, the efficiency of the large packers is far from conceded.

Mr. Armour before your committee testified that the small packer is more efficient than the large one, qualifying the statement later by saying that he was "more efficient up to a certain point."

In this connection Mr. Armour cited with approval the efficiency of Kingan & Co., a large independent packer.

Mr. George A. Hormel, Austin, Minn., in testifying before your committee in reference to the efficiency of his company as compared with that of the big packers, said:

"Mr. HORMEL. Well, now I claim in my case I can operate my plant more economically than the big packers can. I claim I have an advantage over the big packer.

"Mr. WINSLOW. Do you sell any cheaper?

"Mr. HORMEL. No, sir; I get more.

"Mr. WINSLOW. You get under their umbrella, do you?

"Mr. HORMEL. No, sir.

"Mr. WINSLOW. Under their protection, then?

"Mr. HORMEL. No, sir; I try to get more than the big packer does and to do my work a little cheaper than he does, and I think I do.

"Mr. WINSLOW. And you think you produce a little cheaper?

"Mr. HORMEL. Well, I think we have a very well-organized force. I think the success of the packing business or of any packing institution depends upon its organization."

The commission in its profiteering report pointed out that many of the small packers made larger profits than did the big packers.

Mr. Weld, for Swift & Co., in his statement before your committee said the reason the cost of operation for the small packer was less than that of the large packer is because principally they do a local business. He also took the position that the small packer could not build up a selling organization to dispose of his products in distant markets. On this point he said:

"And perhaps the most important reason of all is that a small packing house located out in a producing section could not possibly build up a selling organization in distant States to get rid of its products efficiently, as does the large packer. He could not, of course, ship in large quantities. He could not have distributing stations in different cities. He would not have the proper assortment of animals, nor qualities of animals, to take care of the requirements of the trade, and to establish a trade such as the large packers develop. And, in general, he could not in any way get next to the market and distribute his products efficiently."

Mr. Weld also took the position that the small packer would have difficulty in getting adequate transportation facilities for shipment of his products.

transportation facilities and the marketing facilities at the large terminals will be able to "get next to the market," and will successfully compete with the Big Five to the great advantage of both the producer and consumer.

ADVANTAGES OF A FEW LARGE MARKETS AS COMPARED WITH A GREATER NUMBER OF SMALLER ONES.

Most of the live stock slaughtered by the meat packers in the United States is slaughtered at comparatively few markets. Chicago, Kansas City, Omaha, St. Louis, New York City, St. Joseph, Fort Worth, East St. Louis, Sioux City, Oklahoma City, Denver, and Wichita are the 12 largest live-stock markets in the United States. Of the total number of animals slaughtered by interstate slaughterers in the country 81 per cent of the cattle, 65.3 per cent of the calves, 78.5 per cent of the sheep, and 58 per cent of the hogs are slaughtered at these 12 centers.

Under present conditions it is argued to be an economic waste to transport live stock from all over the country to these few large centers. That it is more economic to slaughter the animals nearer their point of production is a point covered by Mr. Armour's testimony before the Senate Committee on Agriculture and Forestry. On being cross-examined by Mr. Heney, Mr. Armour gave the following testimony on this point:

"Mr. HENEY. Do you know approximately what the saving would be in killing cattle, we will say, in St. Paul, over killing cattle in Chicago, for shipment to eastern points?

"Mr. ARMOUR. That depends a good deal on the kind of cattle, I mean on the quality of cattle. That would enter into it. There might be a saving, of course, that varies a good deal on account of what you are able to get for your by-product. I mean, it is not the same every week of the year, because the market in by-products might be better up there for some reason or other, or it might be better in Chicago or worse in Chicago. I would say, possibly, a quarter of a cent, probably more. But I do not want to answer that question. However, I will get it for you.

"Mr. HENEY. It would amount to as much as you think your entire profit is on a head of cattle?

"Mr. ARMOUR. That would be a difficult question. I would rather get you the exact data than to state it to you.

"Mr. HENEY. I have here a letter from Charles H. Swift, or a copy of one, to Messrs. Louis F. Swift and Edward F. Swift, dated Chicago, October 31, 1916, which I would like to read you and get your advice on.

"(Mr. Heney thereupon read from the letter referred to, as follows:)

" 'CHICAGO, October 31, 1916.

" 'Messrs. LOUIS F. SWIFT and EDWARD F. SWIFT:

" 'We are, whenever necessary in order to get them killed, shipping live cattle from St. Paul to Chicago. Mr. Chaplin advises, as against killing the same cattle at St. Paul, this increases their dressed Chicago cost about 29 cents per hundredweight.'

"Mr. ARMOUR. That is a quarter of a cent a pound.

"Mr. HENEY. I was just going to say, he is very close to you on that.

"Mr. ARMOUR. That would be my guess.

"Mr. HENEY. That would amount to \$1.59½ for a carcass that dressed 550. That thousand-pound animal would dress 550, would it not?

"Mr. ARMOUR. Yes.

"Mr. HENEY. That is more than you claim to make on a head of cattle?

"Mr. ARMOUR. Yes, sir.

"Mr. HENEY. He says that, 'Armour and Wilson have both shipped considerable cattle from Chicago to Kansas City.'

"Mr. ARMOUR. Cattle or beef?

"Mr. HENEY. Cattle, he says. He continues:

" 'Mr. Chaplin advises, as against killing the same cattle at Chicago, this increases their dressed Chicago cost 92½ cents per hundredweight.'

"Which would be, on a 550-pound carcass, \$5.08.

"Mr. ARMOUR. About \$4 a head.

"Mr. HENEY. A little over \$5.

" Mr. ARMOUR. Yes; that is right.

" Mr. HENNEY. Then he says:

" 'Armour has also shipped from St. Paul to St. Joseph. Mr. Chaplin advises as against killing the same cattle at St. Paul, this increases their dressed Chicago cost 79½ cents per hundredweight.'

" Which would be \$3.27½ cents per head. Mr. Chaplin is known as the best expert that Swift has on figures, on the cost of cattle, is he not?

" Mr. ARMOUR. I do not know that.

" Mr. HENNEY. I thought it was a matter of quite general reputation.

" Mr. ARMOUR. I would not know that he was the best. I would not undertake to pass on that.

" Mr. HENNEY. I would not, either.

" Mr. ARMOUR. I can not pass on Swift's men.

" Mr. HENNEY. I am talking about his reputation.

" Mr. ARMOUR. I can not pass on Swift's men.

" Mr. HENNEY. If these figures are at all accurate, it would seem to indicate, would it not, that there would be a tremendous saving to the consumers if cattle were slaughtered nearer the point of production than Chicago is?

" Mr. ARMOUR. Yes, sir. Go on.

" Mr. HENNEY. For a vast quantity of the cattle that are purchased and used in the East are slaughtered by the five big packers. What do you think as to that?

" Mr. ARMOUR. That is true, undoubtedly; relatively true. A good many years ago—you may know about it, although it dates away, away back—some French count went out to a place called Madera, way out in Montana, and opened a slaughterhouse, and he got his cattle right around the door. I am telling you this because you have to have a market for your by-products; that is, not too far away from your production. Do I make myself clear to you?

" Mr. HENNEY. Yes.

" Mr. ARMOUR. It might be true for 500 cattle, and it might not be true for 1,500 cattle, although it is nearer true to-day than it has ever been, because the method of refrigeration has been so improved, and the distance that you can send dressed beef, and the offal, is so much greater than you could 15 years ago.

" Mr. HENNEY. There is no by-product that is sold very largely locally, where the cattle are slaughtered, is there?

" Mr. ARMOUR. No. There is always the fresh meat. There is always a certain amount of fresh meat, and always a certain amount of the by-product that is sold. It may not be a perceptible amount, but it does cut some figure."

It is here developed that to ship an animal weighing 1,000 pounds from St. Paul to Chicago to be slaughtered, there is a loss of \$1.59½. To ship the same-sized animal from Chicago to Kansas City to be slaughtered there is a loss of \$5.08. To ship one from St. Paul to St. Joseph to be slaughtered there is a loss of \$3.27½. This indicates that it does not pay to ship the live animal a great distance to be slaughtered.

On being questioned by Mr. Heney before the Senate committee, Mr. Swift substantiated the testimony here given by Mr. Armour.

However, the big packers, with their present control over the stockyards at these few large centers, are no in favor of the development of a large number of smaller markets. In keeping the markets limited to the present number they are enabled to keep independent packing companies from establishing new packing plants at these centers. Again, with a few large markets they are able to keep the markets in line through their centralized buying organizations, but it would be much harder for them to keep a great number of markets in line.

BRANCH HOUSES AND STORAGE PLANTS.

Mr. Swift, in disagreeing with the statement that the branch houses are freight houses, said:

" Now, I want to speak a word about branch houses, as that is one of the important points that is contained in this bill. It has been stated to you gentlemen that these branch houses were a part of transportation. I read here that on December 19, when Mr. Colver appeared before you he compared our branch houses with railroad freight houses, and said that such freight houses should be open to all on equal terms. He complained that these freight houses were privately owned by the packers, and said that the use of these facilities was not granted to competitors in the same line of business.

"I wish to say, gentlemen of the committee, that our branch houses are not freight houses. They are facilities especially constructed for efficiently taking care of our business, which involves the carrying of stocks of perishable goods for, in some cases, a considerable time, and therefore we draw the goods from these houses as they are sold. These goods as they arrive at destination are delivered to Swift & Co. in car lots on the track. Say a car of stuff comes in. Our representative finds out if it has been damaged in transit or if any accident has happened to it, and if not, he signs the receipt for the delivery of that car, and that is the end of the railroad's connection with the matter. When once we open that door and find there has been no fault of transportation, then the burden is entirely upon us. If we see fit to put in branch houses and install telephones and clerks, and hire automobiles and horses and wagons at considerable expense to use in our business at from one-half to three-quarters of a cent a pound, it is not a matter of transportation. There would be just as much reason and just as much excuse for this terminal station over here in the city of Washington to be enlarged, and to put in rooms, and to make arrangements to let passengers remain there for a few days after they reached Washington. That is just as fair a comparison as it is to say that our branch houses are a part of transportation."

Of course a branch house is something more than a freight house; it is also a wholesale marketing house as Mr. Swift points out. But the fact that the goods are held in the packers storage plants and branch houses awaiting their sale shows that they partake of the nature of freight houses.

Mr. Wilson stated to you that the branch houses are as vital to the successful conduct of the packing business as the packing houses themselves. In regard to their function he said:

"Through the facilities offered by branch houses, the various retailers in the different communities have opportunity to make selections, buy what they want, and get it delivered to them daily if required in first-class condition and at less cost than would not be possible through any other medium.

"Many of these branches are really manufacturing plants as well as distributing branch houses and are equipped for manufacturing sausage, smoked meats, boiling hams, etc. The proper operation of a modern branch house is highly technical and requires years to educate and develop men to operate and manage these branches."

The above statements by Mr. Wilson are not disputed. It was primarily for the reason that the branch houses are necessary for the successful operation of a medium-sized packing plant that the recommendation was made for the Government to take over these branch houses, establish new ones, and throw them open to all packers on the same basis.

To-day the small packer has not the means of disposing of his goods in distant markets. Mr. Armour contending otherwise said:

"In a great many of the cities where we are represented, aside from the fact of having competition among branch houses, there are commission merchants who have the necessary facilities and who handle products for anyone who desires to ship. Any packer who desires to find an outlet for his product may use a commission firm or himself establish a branch house. There is nothing to restrict him from so doing at any point on the map where he desires to locate."

As a matter of fact, there are practically no commission merchants who handle the meat of independent packers. Such merchants once did exist, but practically all of them have disappeared as a result of absorption by or the competition of the big packers.

If the branch-house facilities should be open to all wholesale meat dealers under strict Government license and supervision, the wholesale meat commission merchants could come back into business and the independent packers could have some one through whom he can sell his products in the distant markets.

Mr. Wilson opposes the idea of the Government taking over the branch houses and cold-storage plants, because he believes it would decrease the efficiency of the distribution of meats. He says:

"I am of the opinion that Government-owned branch houses and warehouses would not prove a success, primarily for the reason that the management of such Government-owned branch houses or cold-storage warehouses would not and could not be expected to take that vital owner's interest in products which would be shipped to them for the smaller packers, and that the returns made to the smaller packer on his consignments would not be satisfactory to the

smaller packer, and he could therefore not afford to patronize such branches or cold-storage warehouses.

"It must be borne in mind that the demand for packing-house products is very sensitive to changes of any character. A holiday will cause a very perceptible falling off in the demand. Rainy weather in New England may cut the demand as much as 25 per cent. Extreme hot or cold spells reduce demand. Fresh meats are highly perishable. The packer has to take all conditions of this kind into consideration. If the demand falls off in New England, he must divert shipments elsewhere; otherwise the New England markets would be overstocked, causing tremendous losses and the possibility of being unable to sell at any price while the meat is in good condition. Only by maintaining the large force of highly trained men who have gained their experience through long years of service can the large packer merchandise his product properly. If Government warehouses or branch houses were established, shipments would be made regardless of conditions. Some markets would be overstocked and losses taken which a smaller packer could not stand. Other markets might not have an adequate supply."

Mr. Wilson's idea that under a Government-owned branch house the management would not be vitally interested in the sale of the small packer's goods may be based upon the erroneous idea that the Government is to act as an agent for the sale of the goods. There is nothing in the pending bill which provides that the Government shall act as a commission man in the sale of the goods. The bill provides that the Government shall take over the branch houses and operate them as public utilities, which means that the Government shall assign the facilities to all wholesale meat dealers who desire to use the facilities. Therefore, under Government-owned branch houses the goods of the small packer would be sold either by his own salesman, whom he had stationed at the branch house, or by a meat commission man to whom he regularly shipped his goods. It does not follow that the agent of the small packer would not be just as interested in the goods which he sells as is the agent of the large packer at the present time. Therefore Mr. Wilson's argument on this point is not well taken.

Again, Mr. Wilson claims that if Government warehouses and branch houses were established meat would be shipped to the markets regardless of conditions which would result in frequent over and under supply and losses to the small packers. There is little or no danger of any such thing happening. Mr. Wilson bases his theory upon the assumption that neither the little nor big packer would know anything about market conditions at various markets should the branch houses be owned by the Government. Whereas, as a matter of fact, the daily market conditions of each consuming center in the country, should pending legislation be passed, would be better known than they are to-day. The licensing agency of the Government would furnish a daily market report for each center, and both the large and small packers would know the condition at each market before they ship their meat; just as the big packer has such information to-day. Mr. Wilson further assumed that the little packer would not be able to divert his shipment from a glutted market. There is no more reason why a little packer could not divert his shipment than there is why the big packer could not. The big packers do admittedly divert at the present time. Of course there would be nothing to prevent them from doing so under Government-owned branch houses.

Mr. MURDOCK. Also, at the conclusion of my statement, I should like to submit for the record a table entitled, "Progress of the Packers," 1857-1917."

(The table referred to by the witness is printed in full at the close of his statement.)

Mr. MURDOCK. Mr. Chairman, I shall be glad to hold myself open to any questions that members of the committee may wish to ask.

The CHAIRMAN. Very well, Mr. Esch will proceed.

Mr. ESCH. Mr. Murdock, you heard the line of questions I asked Mr. McChord this morning, did you not?

Mr. MURDOCK. Yes.

Mr. ESCH. With reference to the practice of "wiring on"?

Mr. MURDOCK. No; I did not. I know the line of questions, but I did not hear them this morning.

Mr. ESCH. Then I will submit the inquiry to you, whether that is or not an unfair method?

Mr. MURDOCK. Mr. Esch, wiring on is effectual in the degree it is collusively practiced; I think you understand that. "Wiring on" is therefore a part of collusion, an evidence of conspiracy, and is unquestionably amenable under the Sherman Antitrust Act.

Mr. ESCH. Would it not be amenable to the jurisdiction of the Federal Trade Commission, to whom we have given that subject matter, and gave it for the very purpose that they should see to it that unfair methods of competition should be eliminated?

Mr. MURDOCK. No.

Mr. ESCH. You have gathered a vast amount of evidence, and I have read all of part 2, and found instances cited therein. It occurs to me that that was a practice which was an unfair method of competition and gave to the big packers a very decided advantage over the small or independent packers. If that were true, the commission might issue an order to the five packers, or those who were guilty of wiring on, and issue an order for them to cease and desist, giving them time, of course, to reply. If they then refuse, you could go into the courts and take the necessary procedure. Do you contemplate that?

Mr. MURDOCK. Of course, personally, I will say for myself, yes; and without binding myself by my answer to a finality, that it is an unfair method of competition. I am very much in favor, and I think the rest of the commission is, of taking all these things where we can possibly get jurisdiction and proceeding under section 5, Federal Trade Commission act, which deals with unfair competition, but at the same time I would not want to proceed in any way, or at a time that would in the least embarrass the Department of Justice in its cases, where I think there is evidence of collusion.

Mr. ESCH. Might it not be well to test the strength of your jurisdiction and the effectiveness of the Federal Trade Commission act, and start such a proceeding.

Mr. MURDOCK. It probably would.

Mr. ESCH. And being not of a criminal character, would such a procedure at all complicate any criminal proceedings that might be brought under either the Sherman Act or the Clayton Act?

Mr. MURDOCK. I think you could answer that much better than I. What is your opinion on that?

Mr. ESCH. I rather think you could go ahead. You have got the evidence already.

Mr. MURDOCK. Well, it has been our fear that we might, in some way, interfere with the due process of the older and more rigorous law.

Mr. ESCH. You know we passed the Federal Trade Commission act with a view to advising business as to how far it could proceed, and how it could proceed, to avoid the penalties of the Sherman Act, and we are all proud of our part in the creation of the Federal Trade Commission under that law, and we want to see it exercised to the ultimate of its jurisdiction.

Mr. MURDOCK. Yet I think the gentleman from Wisconsin will realize, and I know he does, that in the development of the jurisdiction of the commission under section 5, it must be done with great care, for fear that we bring upon the commission the criticism of an

excessive jurisdiction, or drastic action that is not warranted by the express words of the statute.

Personally, I want to say, Mr. Esch, I do not think you can question that I, not being a lawyer, and of my temperament, am rather inclined to give the broadest sort of construction to remedial legislation, and I am rather inclined to think that that which is unlawful is unfair, which might bring within the purview of section 5 "wiring on," part purchases, late buying, and split shipments.

Mr. Esch. I was going to ask you as to all four of those, and I need not do that now, as you concede they all stand practically on the same basis.

Mr. MURDOCK. The same basis.

Mr. Esch. And if all those four things then were proceeded against under the Federal Trade Commission act, it would eliminate a certain degree of, a certain amount of, the complaint now arising, would it not?

Mr. MURDOCK. Unquestionably.

Mr. Esch. And it would satisfy the producer that he was getting a fairer deal than if these practices were permitted to continue?

Mr. MURDOCK. Yes.

Mr. Esch. I do not at all admit that even if those four practices were wholly eradicated you could get to a solution of the problem. I hope that I never have yet in all these hearings created that impression, although I think you intimated I did.

Mr. MURDOCK. I am glad you made that statement, because I got that impression. It is one we commonly have, that if the administrators of a law would get busy and exercise diligence that we would not need so much legislation, and I thought maybe you were drawing the conclusion, for which I now see I had no warrant at all, that in this instance such was the case.

Mr. Esch. The attitude of the legislature, if I may so state, is that we feel that every bit of jurisdiction already granted should be exercised before we are called upon to enter new fields. We do not want to pass cumulative legislation, to cumber up the books with unnecessary legislation. That has been the thought in my mind. But it is also a reason which persuades me to say that in view of the fact that only part 2 of all your hearings have been made available to the committee, and the fact that the testimony as laid before the Department of Justice for proceedings on the criminal side—that until those things have been tried out, we might better wait, perhaps, to get that legislation which would reach the very evil of the matter. It may be that prosecution by the Department of Justice may render further legislation not so necessary.

Mr. MURDOCK. I wish you would let me say there, Mr. Esch, and I do not know whether I can say it with complete accuracy or not, but you spoke of the spirit of accommodation with which the Federal Trade Commission act was inspired in its passage. The spirit of accommodation rather than punishment. The act itself in section 5 reads that wherever the commission shall have reason to believe that an unfair method of competition is being, or has been used, it shall, if in the public interest, if it appears to be in the public interest, issue its complaint, which shall be heard. And then afterwards, if the complaint is sustained, the order shall be issued.

In some cases that come before the commission, after the application for the issuance of complaint is made and investigation is started thereon, the person against whom complaint has been made ceases the unfair practice. Now, does the spirit of accommodation which breathes through the law of the Federal Trade Commission indicate action to the commission that it shall cease proceeding at that point? At times I am puzzled about this, and I think in this you have to judge largely on every individual case that comes before you, the public interest determining. If the Federal Trade Commission, in a spirit of accommodation and with the idea of helpfulness to business, issues a complaint and the party complained of comes in and says, "We did do that, but we have stopped," should the commission then go on through with its complaint?

Mr. ESCH. What have done?

Mr. MURDOCK. I have held to the belief and the practice of going on through with the complaint to issuance of the order to cease and desist, but I have at times felt, Mr. Esch, that probably that would subject me to criticism.

I know that in public bodies it is very difficult for the administrator to do anything except to follow the due process of law as outlined in the statute, whether he be invited to exercise a spirit of accommodation or not, without getting into a state of mind where he becomes the law himself, and under our form of government I do not believe that any man should be the law himself, but I put the question to you because I have followed it, and yet I feel that I should like advice on the subject from some one in legislative authority.

Mr. ESCH. I do not pretend to be able to give it. But I can state this as the atmosphere that surrounded the creation of the Federal Trade Commission act: I think it was largely due to the decision of the Supreme Court, Justice White rendering the opinion, of the rule of reason, and of course there was very much discussion and criticism of the decision, and introducing the rule of reason into the Sherman Act, and when we had our hearings we had men of prominence, ability, and experience to come before us and say, "What we want is a law that shall tell us what to do to avoid the penalties of the Sherman Act."

Now, if that means that it is merely a spirit of accommodation and when one promises to cease and desist and not further go on it would be a matter of policy for your commission to determine—and my opinion, if the case were flagrant, is I would go to the ultimate as a matter of example.

Mr. MURDOCK. I think it depends on the case, but it is very, very difficult.

Mr. DECKER. When you tell them to cease and desist is there any penalty attached to it?

Mr. MURDOCK. And they fail to obey the order?

Mr. DECKER. If they promise to desist and you go on and issue your order you have not hurt anybody; there is no harm in putting it down?

Mr. MURDOCK. No harm at all; it carries with it some humiliation.

Mr. DECKER. You asked Mr. Esch for some advice there, and fools rush in where angels fear to tread, and I want to give a little advice—

my own advice. My advice is this, and you know it is submitted with the utmost respect.

At the same time they were introducing this testimony as to the rule of reason, there were other men who came before our committee and pointed out to us the danger of this kind of legislation, of creating this, for the reason you stated, that if we did not be careful we would have in this country a government not of law but of men, and if you go to taking the promises of fellows who come in to you and say, "Now, gentlemen, we have quit; we have made a heap of money out of this, but we have quit," and all that, and then the next man that comes in you put him through the mill, the ordinary man is bound to wonder, "Well, now, that is a powerful lot of discretion to have in any man." In other words, my advice would be, so far as I could find any rule of action, I would follow the rule of action and use discretion where it is only necessary to prevent doing a positive injury.

Mr. MURDOCK. I am rather of that view. I subscribe to your belief, because I believe that this country must be run upon its written statutes, and you must stay within the limits of those statutes, and that the moment you lodge in the variable human mind the right to say this is white and this is black, outside of the statutes, you are in danger. I know you are.

Mr. ESCH. On the question of restraint of trade——

Mr. MURDOCK (interposing). I do not want to anticipate your question, but I would wish to say in those cases of the violation of section 7 of the Clayton Act we are preparing a procedure. That is acquisition of competing companies, where the acquisition results in substantial lessening of competition, restraint of trade, or monopoly.

Mr. ESCH. The stockyards are practically all within certain States. The police powers of the States extend to the stockyards as being public utilities. Do not most of the States, in fact all of the States wherein the larger stockyards are located, give to their public utility commissions power over the stockyards, even as to the regulation of the amount to be charged for food and feed and things of that kind, and also as to sanitary conditions? If that be true, then the Federal Government might not have jurisdiction over a public utility operating wholly within a State, and that raises a doubt in my mind as to how we could meet the objection which you have raised, and I think the objection is well founded and ought to be met by a suitable remedy, but we, of course, are bound by the statute just as well as the commission is bound by its organic act. We had some testimony on that, I think, by one or two of the witnesses.

Now, this proposed measure gives the President the power of acquisition of the rolling stock and of the stockyards and other facilities. The bill does not lay down the rule of valuation that would control such acquisition. I assume, from the way the bill is drafted, that that acquisition would be as ordinarily through just compensation under condemnation proceedings.

Mr. MURDOCK. It would have to be.

Mr. ESCH. If it is done under condemnation proceedings, and just compensation is paid, would not the court have to allow for the unearned increment, allow for good will and other intangible values, and might you not thus have put upon it a price which might be subject to the charge that it is watered?

Mr. MURDOCK. I could foresee such a situation; certainly.

Mr. ESCH. Would you suggest in the provisions of the bill with reference to giving the President the right of acquisition any rule of damage or rule of compensation, or would you leave it to just compensation as determined by courts in the condemnation acts?

Mr. MURDOCK. I should rather leave it to the courts. I think that would be the just thing.

Mr. ESCH. You realize that Congress has very grave problems in connection with acquisition of public utilities?

Mr. MURDOCK. Yes.

Mr. ESCH. And the rule which would govern as to their valuation and condemnation. Judge Sims and myself are now greatly perplexed with the question of recapture of water powers, and we were bothered with it in the matter of taking over the telegraph and telephone lines.

Mr. MURDOCK. Did you leave it to the courts—the recapture of water powers?

Mr. ESCH. In the cases of the telegraph and telephone lines we allowed the President to fix a price, and the owners would take 75 per cent thereof and then go into the Court of Claims and determine judicially what the compensation should be, and that is the rule. I think, that has been put into almost all of these war measures.

Mr. MURDOCK. I do not follow that. How do you arrive at that recapture value?

Mr. ESCH. This was in regard to the telegraph and telephone lines. The President would fix a price, the company could accept, say, 75 per cent of that, and then go into the Court of Claims to determine what it should be.

Mr. MURDOCK. Following a good deal the war-contracts proposition?

Mr. ESCH. Yes; some of those war contracts; and we have given it to the Shipping Board and the Emergency Fleet Corporation and others. My query is in reference to the pending measure. Should we adopt the suggestion of acquisition, what rule should we prescribe? If we leave it to just compensation, they could get at the hands unearned increment, because of the development of the country and the territory surrounding it. You can imagine the valuation of a stock-yards in Chicago, for instance, wholly surrounded now by residential and manufacturing sections. They would be entitled, under just compensation, to good will.

Mr. MURDOCK. I should think, Mr. Esch, that this committee and similar committees who are up against this problem in other phases of recapture value and valuations would be vastly better informed of how that should be done than I would be—than any commissioner of the Government.

Mr. ESCH. I realize your problems and difficulties are not all ended when you submit a bill.

Mr. MURDOCK. I think I said that when an administrative department submits to Congress a bill—and I believed this when I was in Congress and I believe it now—that that bill in its very nature should be suggestive. It ought not to be otherwise.

Mr. ESCH. I think we realize that.

The CHAIRMAN. I think, Mr. Decker, you are next.

Mr. DECKER. From your experience have you entirely given up hope of the criminal law as a remedy for these combinations?

Mr. MURDOCK. No; and I say that after a good deal of thought.

Mr. DECKER. Has there not something cropped out in these hearings that show the efficacy of the grand jury is still great, a good many murders are committed, still it is a wholesome law against murders. It is frankly admitted here—I am, to be frank with you, not as conversant with the history of the packing industry—but it was admitted here by Dr. Wilson that a few years back there was a frank and an open intention on the part of the big packers to go together and run the thing, and that that was stopped by the fear of prosecution; at least it intimidated the bankers, and the packers could not get the money, and they quit that, and what they have done since, if they have done anything, has been more under cover. Is not that your understanding?

Mr. MURDOCK. Yes; that is my understanding.

Mr. DECKER. Does it occur to you that a little more of that same kind of remedy would do good, and a whole lot of good?

Mr. MURDOCK. Well, now, what kind of remedy?

Mr. DECKER. If these facts are true, why would not a straight criminal prosecution discourage the continuance of it, even if the prosecution were not successful?

Mr. MURDOCK. My answer is because criminal prosecution does not seem to do it, has not done it when it failed as it did fail. You asked me a very pertinent question. I was glad to answer it because it is a typical question to answer and because I have thought about it a great deal, and that is, Have I given up hope of successful criminal prosecution under the Sherman antitrust law? Now, there are, as near as I can detect, two economic camps in the United States. One veers toward a recognized condition of monopoly, combination, and trust, with strict Government control, and the other camp is the old-fashioned camp, with no trust, and competition. Well, I have done a good deal of hesitating mental travel between the two, but when you put your finger on me to locate me I am back in the old camp of no trusts and competition. I believe in competition and I believe in using every power in the Government to have free competition and free markets and equal opportunity to the individual with the chance for initiative that goes with competition. It is very frequent now with men in this day and generation to say the Sherman antitrust law ought to be repealed. I am not of that kidney.

Mr. DECKER. I want to get your views on that. Mr. Heney took the opposite view here. I have not been able to agree with him on that. I think the Sherman antitrust law has already done a great deal of good and can do more good.

Mr. MURDOCK. We may be mossbacks in this proposition of seeking to keep competition alive, but I am a mossback in that particular.

Mr. DECKER. As a suggestion along the lines of what your commission could do, for instance, take that testimony that was brought out by Mr. Heney yesterday where Mr. Sargent, who only buys about once a week, came in and bought a nice string of hogs, then when the big packers' buyers came along the next day he asked them to look at his hogs, and they told him to sell them to Sargent.

Mr. MURDOCK. I did not hear the testimony. I do not know the incident, of course.

Mr. DECKER. Well, anyway, it shows an intimidation on the part of the commission men by the big packers, namely, that if any gentleman, any man is able to buy hogs every day and here is another man who is only able to buy once a week, they naturally cater to the man that has got the money to buy hogs every day. I was wondering if it would not be worth while for you to think a little of that. If you put the fear of God in the heart of those fellows for doing a thing like the evidence showed they did in the case of Sargent, it would at least help those commission men to realize that they had a Government backing them up in their rights and giving them the ability to perform their duties to their clients back on the farms and I think your commission could do a great deal of good along that line. I think your commission might well go into a good deal of those discriminations, or alleged discriminations, in the stockyards.

For instance, if there is any discrimination about giving a man the choice of the pens: Ordinarily we say a man who has been a commission merchant in the stockyards for 20 years would naturally have a choice over the pens than a man who came in 10 years later: that would be natural, just like Congressmen take turns in getting the best rooms in this building. Nobody objects to it. If your commission found out where they were discriminating against any commission man, and you had the suspicion he was independent and tried to represent his clients, you might stiffen his backbone.

Mr. MURDOCK. I agree with you.

Mr. DECKER. When this law was passed creating the Federal Trade Commission I doubted the accommodation part of it, of having any commission that could tell business men what they could do and what they could not do, except where they were honest men. In other words, you can not tell a man just how close he can come to the line and still not get into the penitentiary. That is not your function. But in a big concern like this it seems to me if you had a chance to lay down some rules and regulations and let them know you would back them up it might help.

Another thing I want to ask you. I have been impressed with these hearings, and I am looking for advice, and this is informal. I can understand in this evidence the part where the little, mean things and underhanded things were done, but when I get back to it I am faced with this proposition, and I want to see what you think of it. If Swift has a plant at Denver that will accommodate so much stock, and Armour has one there, the natural thing for them to do is to divide that business. I do not mean dishonorably or illegally. Can there be any competition there? Had you ever thought of that?

Mr. MURDOCK. My answer to that is that naturally the per cent of purchases by each of the packers on a market where there are two packers would be according to the capacity of their plants. There would be competition, but there is none.

Mr. DECKER. Take a market, for instance, where there are 1,000 hogs coming in to-day; each one of them can use 600 hogs; that would make 1,200 hogs. Can there be competition there? What

would be the effect if each packer would say, "I am not going to be satisfied with 500 hogs; I am going to bid enough to get 600 hogs."

Mr. MURDOCK. In that event the farmer would get more for his hogs.

Mr. DECKER. He would for a while, but do you not see that the result would be a war there that would destroy one or the other—would drive one or the other out of business?

Mr. MURDOCK. I do not believe so. I believe this, that that would result in a competitive condition that might establish another packing house. I believe, in other words, that competition is the life of trade.

Mr. DECKER. If only 1,000 hogs were coming in a day and each one of them can use 600 hogs apiece, that would be 1,200 hogs. That would not be much of an inducement for another packing house to come in. I am just supposing a case. In other words, when you run up against a proposition like that does not the competition have to come about in some other way than just the bare difference in the price? Suppose that you and I were packers.

Mr. MURDOCK. Well, competition finds its last expression and its determining expression in price.

Mr. DECKER. I know; but I am trying to figure out what would be the result if each one of those packers used the price mark to get all the hogs he wanted; it would be an unprofitable war between them or else one of them would have to quit.

Mr. MURDOCK. There are innumerable businesses in the country where there are two strict competitors in a given field, and they do compete, because my mind runs back to my own town—my own business. There were two newspapers there. They compete.

Mr. DECKER. You had the same price for advertising, did you not?

Mr. MURDOCK. Oh, no; we did not. It is a strict competition; it is a real competition; there is no nonsense about it. The newspapers are not in agreement. Do you think they would prosper if those two newspapers in that town went into combination? I rather fancy that they would, but I do not think for a moment my community would stand for it; they would be up in arms. They would say, "We will not stand for those two papers playing in cahoots." It is a stimulus to the community to have them separately controlled and to have rivalry between them. It makes for the life of competition. That is one reason why I am so strongly wedded, as I said, to the old-fashioned theory that we want competition, and we do not want this new proposition of the trust Government controlled if we can avoid it. That is another question.

Mr. DECKER. I feel the same way, but I still can not figure out what would happen there if each plant made up its mind to get every hog it could use, regardless of the price. It would mean driving the other out; then there would be only one plant.

Mr. SWEET. I might suggest this: Might it not stimulate the production of hogs?

Mr. MURDOCK. If they had strict competition it would stimulate the production of hogs; yes.

Mr. DECKER. I believe that is all I care to ask.

The CHAIRMAN. Judge Parker.

Mr. PARKER of New Jersey. I have no questions.

The CHAIRMAN. Mr. Winslow, do you wish to inquire of the witness?

Mr. WINSLOW. I have a few questions. Mr. Murdock, what was the purpose of referring to the possible, and perhaps, as you put it, to the probable influence of these packing houses in the make up of congressional committees?

Mr. MURDOCK. Because I believe, Mr. Winslow, that the history of the past shows that they are always vigilant, alert in that respect.

Mr. WINSLOW. What is the deduction—that the public will not get a fair show at the hands of a congressional committee?

Mr. MURDOCK. No, sir; not that. My idea in saying that, Mr. Winslow, is this: That here is an organ of representation for the people, and here is a special interest, or a private interest, which will seek to escape legislation. The people, who have an interest in this matter, are not very much concerned with the make up of a congressional committee. I do not believe your constituency, for instance, cares whether you are on Ways and Means, Interstate Commerce, or what; but a private interest, with a survey of its Government, jealous to protect itself, is very apt to interest itself in legislative make ups, the creation of legislative bodies and committees, and seek to put those of its views there, and seek to influence men who are on the committees after they are there. In other words, the thought that I had in this great problem—I consider it a great problem—the matter of control, of centralization of great commercial powers, that they are always playing at the head of the game, and that we, the folks, are always a little bit behind; and the thought I had was probably not apropos here, but I expressed first frankly what was in my mind, that while we here are talking about things of the past, the things done by this, that, and the other agency, this interest is looking to the future and is fortifying itself. I did not mean to infer, and I know you will not think so, that they would use any improper influence to get a man on a committee. But I do not think there is any question but they are watching that sort of thing.

Mr. WINSLOW. Do you want to go out to the country with your commission feeling that its bills, that may be before a congressional committee, bearing on this subject, do not get fair, honorable, and full consideration by virtue of any influence of any set of business men in this country?

Mr. MURDOCK. No.

Mr. WINSLOW. Had we not better correct that as we go along?

Mr. MURDOCK. I did not intend any such inference should be held.

Mr. WINSLOW. It was just the way it hit me. I thought perhaps you might want to modify that feature of it. I would hate to sit on a committee if I thought you had in mind that the committee was stuffed. I do not believe you would like that, would you?

Mr. MURDOCK. No.

Mr. WINSLOW. Now, this question of profits, which your expert accountant submitted, opens up a question which you admit is really an important point in determining whether they are getting more than their share of other people's money for what they give up. I innocently asked a question with respect to comparison with other lines of large business, because I felt that any accountant who was worthy of his place, and was willing to testify as to the abnormal profit of Swift & Co., would naturally look about him to see whether

or not here was one of the evildoers who were robbing the people. Now, there are a great many considerations running into these large profits during the last few years, which we all know, not to elaborate too far, but yet to suggest, we all know that mostly every line of business that has been called upon by the Government for an unusual output has had to increase its capacity of buildings, machinery, or equipment in one or more ways, in order to meet the exigencies of the hour, with a full knowledge in advance that when they got through the war period that building will be a drag on their hands, a liability they would be subject to carry on as a fixed charge no one knows how long, and big producers have been allowed, have even been encouraged by the Government departments and our trade boards with a view to those situations.

In many cases it has appeared that the producers have been unwilling to even entertain the proposition to meet the requirements of the Government unless there was awarded them at the outset what they needed in the way of equipment to meet the need. That has accounted for, I am perfectly certain, the abnormal profits in many lines of business; they knew it was then or never, and they must cover.

When Dr. Wells, of Yale University, testified here in connection with the operations of Swift & Co., he submitted a table which he said was taken from Moody's Manual of industries, and in that table he gave perhaps a dozen concerns by name which are well known to everybody from the publicity given those companies. In that table it appears that—

Whereas Swift & Co. increased its percentage of earnings for the years 1915, 1916, and 1917, over the three preceding years 176 per cent, the United States Steel Corporation increased theirs 139 per cent; the International Paper Co. 153 per cent; the United States Rubber, 89 per cent; American Woolens, 398 per cent; American Brass, 329; Bethlehem Steel, 409; American Car and Foundry Co., 170 per cent; Anaconda Copper, 275 per cent; American Sugar Refining, 120 per cent; the Union Oil of California, 85 per cent, etc.

Now, of all that list the only strictly perishable article represented there, as a matter of production, is the production of Swift & Co. in part, and yet they are well down on that list, about in the middle of it, perhaps below the middle of it, in respect of the increased earnings during those war years. If they have increased unduly, of course we want to know it; we are out for the facts, and the fact that the others have increased more largely has nothing to do with the merits of the contention with respect to Swift, but it does seem to me that it is fair for me, or any member of the committee, or even yourself in testifying, to say and to admit that in comparison with other lines of business, among the large lines in the country, that they do not stand out prominently among those who have taken the greatest possible profits.

Mr. MURDOCK. Mr. Winslow, in order that you may correct any inference that may go to the country, you do not contend here or take the position that any such earnings as you have recited there, quoting from Dr. Weld, are justified—400 per cent?

Mr. WINSLOW. I shall have to qualify in order to be direct. It depends entirely on what is represented by 400 per cent. Cash in the hand without any come back, is too much. If it represents a line of railroad tracks, or a line of buildings, a line of ma-

chinery, a line of equipment, for which there will be no use after the tremendous demands of the war are over, it may be too much or it may not, or they may go broke, as the Remington Arms Co. in the effort to do the same thing. They undertook to meet the demands of the people, and the officers of that company thought they saw millions galore, but as they got into their undertaking and built acres and acres of suitable, up-to-date machine shops, and put in hundreds of millions of dollars worth of machinery they found they had bitten off too much.

Let us suppose, for instance, that they had gone on, and had made 500 per cent; let us say they had been successful and had made 500 per cent, and yet when they came to take their inventory after the war had been settled and all its affairs terminated they found that they had a vast property in machinery, and so on, for which they had no use; that under the demands of normal times of peace they could not make use of those buildings; that they had in that case something to be taxed, something upon which to pay interest, something to anticipate, and it became a burden for an indefinite period, and they may have made money, and they may not, time alone would have told; so when you ask me at the start out whether these percentages represent abnormal profits, I say on the face of them they may—*de facto* they may not. Is that clear and fair?

Mr. MURDOCK. Yes; it is clear.

Mr. WINSLOW. I do not know how that affects Swift & Co., and there has not been anybody here to tell me; in all the investigation that has been made and in all the testimony here there has been nobody here to tell me in what direction those profits have been extended. They may not have come in under any of these extraordinary expenses, but I do not know it from the testimony. I should like to ask you, or any of your experts here, if they have submitted anything to demonstrate those particular things.

Mr. MURDOCK. If you will permit me, I should like to ask Mr. Chase. Mr. Chase, you are a graduate of Harvard, are you not?

Mr. CHASE. Yes.

The CHAIRMAN. Before you go into this I want to couple something up with that, so it will all line up together. We are investigating a food product, and to compare it with the products mentioned there by Dr. Weld, on which each and every individual in the United States does not have to share, or else starve or die, or become ill, and which the warring countries of the world had to have for war purposes, is there any fair basis on which you can draw a parallel between the manufacture of an essential food product and those other things that have been mentioned there? If we want to make a fair comparison, it ought to be with other food products. What has the flour man made, what has the meal man made, what has the egg man made, the butter man made, etc.?

Mr. MURDOCK. Of course, like things are comparable and unlike things are not. I realize that. But I should like Mr. Chase to answer Mr. Winslow's question.

Mr. WINSLOW. I should like to answer the chairman's question. A piece of ham, wrapped up in expensive paper, may cost a good deal more than something else on that list, but the building costs as much for one as it does for the other in the market, and all the run-

ning, fixed charges are the same; the nature of the product may be compared, but we have not compared the product.

The CHAIRMAN. But the flour has to be manufactured just the same.

Mr. WINSLOW. I am taking the testimony.

The CHAIRMAN. I asked why he did not compare the meat products with the flour products.

Mr. WINSLOW. He is a professor, and Heaven only knows how his mind runs. I am taking what I have to go by. The fixed charges of business are the same, virtually, in every line, and that is what I raise as the point when I have asked for an analysis of the profits of Swift & Co. and what they indicate as to future values.

The CHAIRMAN. I should like to know what the Minneapolis flour has to do with it.

Mr. WINSLOW. I will take that up with the Trade Commission—to get after the flour man.

Mr. CHASE. Mr. Winslow, so far as I know, there has been very little borrowed by any of the big packers for the purpose of establishing equipment primarily and solely devoted to the war, which after the war would have to be scrapped. That is the case in many of those industries you read, and while I was with the Food Administration I know that in the case of one or two cold-storage houses a request was made of us to allow the whole construction cost of that cold-storage house to be charged off against expense, because after the war it would not do them any good; but both of those items, as I remember it, were small in amount. By and large, why, undoubtedly the packers have increased their equipment considerably, and I think they will be able to use it after the war.

Mr. WINSLOW. You have given prognostications on the future of the business, and we must deal with the facts. Have you any inventory on hand to show the items on which they have extended their profit, with a comparison with what they had before the war period? Otherwise, we must pass it by, because the testimony is confined to prices, which I appreciate mean a good deal, but hardly enough in a comparison like this.

Mr. CHASE. I have balance sheets and a statement of inventory.

Mr. WINSLOW. Balance sheets will not show it, Mr. Chase. As an accountant you know that. You have got to have an extension of inventory to show items which make up your balance sheet.

Mr. CHASE. Yes; I have those inventories.

Mr. WINSLOW. Are they here?

Mr. CHASE. No; not here.

Mr. WINSLOW. Then we can not get those. Perhaps you will file those in the report, Mr. Murdock, showing just in what form their profits have increased and make a comparison with the items of the three years.

Mr. MURDOCK. Is that practicable, Mr. Chase?

Mr. CHASE. In a general way you can compare the profits of the meat business with the profits in other lines—poultry, cheese, eggs, etc.—but you can not compare the different animals, for instance, in the meat business.

Mr. WINSLOW. You have given us a water-color sketch there of purple and black and white, showing something, and you said about

234 per cent. Now, compare it on the basis of your sketch, and we will be able to make the application all right.

Mr. MURDOCK. That can be done, can it?

Mr. CHASE. Something along that line; yes.

Mr. WINSLOW. Mr. Murdock, I understood you to say in connection with this proposition that you thought the matter of profits was one of concern in the investigation which we are carrying on. Is that right?

Mr. MURDOCK. I think I said that, Mr. Winslow.

Mr. WINSLOW. I have here a document which I want to put in, Mr. Chairman, in its entirety, which I believe to be a stenographic report of an address of Hon. William B. Colver, chairman of the Federal Trade Commission, made before the American National Live Stock Association at its twenty-second annual convention, at Denver, Colo., January 23, 1919. In that address Mr. Colver says:

Mr. Armour put in \$194,000. He got \$1,552,000 worth of stock. In four years, from January, 1914, to the end of last year, 1918, his dividends amounted to \$356,950.

Unlike the president, he did not send it back. Now, I don't object to that. Not in a single line of the Federal Trade Commission's report have we objected to profits, and we have no objections to profits. Why, profit is the lifeblood of business! You must have profit, and we like to see you get it. The packers have to have it, and we like to see them get it—generous profit; but let us know how he gets it, where he gets it, and from whom he gets it—that is all.

So, apparently, you and Mr. Colver have different minds?

Mr. MURDOCK. I want to say right here that I think that is unfair. What are you going to ask me about that? I do think the profits are unreasonable. Mr. Colver may or may not think it; you may or may not think so.

Mr. WINSLOW. I understood you to say—

Mr. MURDOCK. I say I do say it. What Mr. Colver said in his speech is his lookout. He simply says he has not investigated it. I think you do not make very much headway when you ask me to compare things that are not comparable.

Mr. WINSLOW. Well, that is your judgment. I do not object to it. It was my purpose to read a number of excerpts from this document, but time is short and I will not do it. I will file it here, the whole thing, and save time. There are very many illuminating ideas here, particularly the one in which he tells these good gentlemen they are the ones who stirred up this row from the beginning: that it is their fight, and they are the ones who brought it to the front, and he hopes they will go through with it and push their advantage every bit of the way.

Mr. MURDOCK. Does Mr. Colver say there that we are not interested in profits at all? Does he not say "reasonable profits"?

Mr. WINSLOW. No; he says just what I read.

The CHAIRMAN. Did you get that copy from Mr. Colver himself?

Mr. WINSLOW. I did not.

The CHAIRMAN. Do you know whether he admits he made that statement?

Mr. WINSLOW. No; but I am perfectly willing to have the committee ask him and to deny it if he chooses to.

The CHAIRMAN. What I wished to say was, he will have permission, if he desires to do so, to make a statement.

Mr. WINSLOW. I shall be delighted to have him do so, if he will only bring the facts.

The CHAIRMAN. I do not know anything about it. Sometimes men are quoted incorrectly.

Mr. MURDOCK. I will say for Mr. Colver that I do not believe he would say "I have no objection to profits," if "unreasonable profits" were involved.

Mr. WINSLOW. You take that burden on your shoulders?

Mr. MURDOCK. I should say I have no objection to "reasonable profits"—that is what I should say.

Mr. WINSLOW. I believe, in view of the hour, I will not go any further, but I should like to submit this speech of Mr. Colver's for the record.

(The document referred to is here set out, as follows:)

ADDRESS OF HON. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION,
BEFORE THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION.

[Twenty-second annual convention, Denver, Colo., Jan. 28, 1919.]

Mr. President, ladies and gentlemen, and members of the association, it is a pleasure as well as an honor to come out here to talk to you and in a measure make a report on the progress that has been achieved in the job on which you were instrumental in starting us. I am glad to come to Denver at this particular time for the reason that Denver has just contributed a new and fourth member of the Federal Trade Commission, Hon. Huston Thompson. I have known him in his work in Washington, and I know that Denver will be proud of his work and the Federal Trade Commission will be thankful to Denver for giving him to us.

I am always glad to come to Denver for the reason that I used to go to school here and lived here when I was a youngster, so it feels like home.

But perhaps the most pleasant thing is to come out here to this association convention and get acquainted for the first time with the people who let us in for the row with the packers. You started the row, then you put us into the cage and went away and left us. I might say it has been a most interesting proceeding ever since.

I think that yesterday President Pryor said I would defend the report of the Federal Trade Commission; but I will not do that. I will just ask you to read it. If you haven't a copy, send me word in Washington and I will send you one. I shall not defend that report. I do not think the report needs defense. As a matter of fact the report has not been denied nor attacked, although it is generally supposed to have been.

If you will read the paid advertisements, if you will read the packer propaganda you will not find that the report is attacked. It doesn't say that what we found is not true; they do not disprove what we have proven. They say, perhaps, that the members are crazy or are anarchists, and that the language they use in writing the report is not proper language; but they do not say that the facts are not there, and that is the very thing we have—the facts. If the facts are straight they are just as good if brought in by a crazy man as they would be if brought in by a sane man; that is, if it is the facts you want.

This report has one merit that I might point out: It is a Government report that neither directly or indirectly seeks a job for or increases the powers of the officers making it. That is unusual. The Federal Trade Commission did the same thing that you folks did. We did what you told us to do after you went away and left us; then we started something and went away and left it.

We should not have anything to do with the further steps in this situation.

There are two more steps to come: First, congressional action; that is the next step; and after that the execution of whatever law Congress may enact.

Now, to-day the buck is right straight up to Congress. The responsibility is there. After Congress shall have passed a law the buck will be right straight up to whoever or whatever agency may be delegated to execute that law, and the Federal Trade Commission naturally should not expect to have any part in the future steps that are to be taken.

We were told by Congress and by the President, very largely at your suggestion, to investigate this thing and report what we found, and we are through when we have done that thing.

The commissioners who finally signed the report were Gov. Fort, Victor Murdock, and myself. All of us had come to the commission after your movement had been started. We had nothing to do with the beginning of it. We had not been consulted by either side and I never saw three men undertake a job with less prejudice. We had not even met you folks. The order came to us to find what were the facts on the whole subject of food, food control, and food prices. It was not limited to meat as you know. We spent \$250,000 of your good money on the job.

Of course we knew about the fight that had been going on. We knew that three years ago at El Paso you started your market committee out and we knew that they did go out and they camped on the job, and they never let up until they brought home the bacon and then they were through.

That is where we came in.

Now we are through.

Very early in our investigations we did find some interesting things that had to do with the authorization of this investigation. We found that some of the packing concerns, especially the five larger ones, were in very close touch in very many directions—secretly. We found their touch in Washington; we found their touch in other places; we found their right hand in associations like this and many things that seemed unexplainable and many curious differences of opinion that had distracted people who were trying to do things in a proper way were explained when the packers' letter files were opened. Those are the things to be published; those are not things that have to do with the facts of this case, but they are somewhat illuminating.

We found how they tried to stop your market committee entirely and to prevent the enactment of a resolution. They failed in that. Then they switched to an effort to throw the investigation—to limit the investigation—to an economic investigation and give it to the Department of Agriculture.

Now, don't get any misconception about what I am saying. The Department of Agriculture, without the slightest doubt, would have done just as well as we did up to the limit of their powers. But the Department of Agriculture has not the power which Congress has seen fit to give us in investigations—the taking of evidence and calling of witnesses, and even opening vaults to get letters out.

So the effort was to turn it to the Department of Agriculture; to give it an economic tinge and give it a limit that would touch upon economic features of stock raising.

We had not gone very far before we found what the economic feature was and if they had gone on and been successful the investigation would not have gotten very far in the Department of Agriculture. The power and jurisdiction which that department has and the careful vigilance which it exercises would not have been sufficient to bring home the bacon.

We had the benefit very early in the game of seeing how they tried to block you and we got a rather valuable list of names of their active blockers—that you people did not know, and when we came to deal with them we had them pegged. That helped a lot.

We saw and you can see a fresh collection of tombstones in the packers' private political graveyard of men who went to the front for you on the Rouse's resolution, and that collection of political tombstones will be added to if the packers keep their health.

It was, therefore, a rather clammy job to tackle.

It has been intimated for instance, that if the Federal Trade Commission does not let up, and if it did not let up a long time ago when this investigation was just getting a start, that it would not have the long life of Methuselah.

We will see.

If the Federal Trade Commission can take this one job and do it well and thoroughly, it ought to be willing to die.

There is no one of us who has to do that work for a living. There is no one of us who is dependent on that sort of a job.

So we tackled this job; and I do not believe that we were either bullied or befooled or bedevilled or bluffed clear through to the finish, and when we wrote the report and when we have gone before the committees of Congress we have gone without the slightest personal prejudice and we have reported the facts as we found them; and I say again, the facts stand—we are through. The

port can be assailed; the commission can be assailed; you can have paid ads from 'Frisco to Portland, Me.; but they can not get behind their own facts.

They say that we are not fair because we did not let them bring their attorneys in and cross-examine the witnesses and examine the papers that we had examined. The papers we examined they had examined a long time ago, but they would like to have known which ones we had.

But suppose the day we started out we had sent telegrams to these five packers and had said, "We are to start a perfectly fair and impartial investigation of this matter and you had better come down here and bring your lawyers, because you are the defendants"?

How in the world can you have defendants in a case like that? Why, if we had done that, they would be before you to-day saying they were not treated fairly. To prove that, they would say that before we even started in we said they were defendants and we were going to "get" them.

If we called them it was not fair, and if we did not call them it was not fair.

But the investigation was carried on in the way Government investigations have been carried on and in the other investigations carried on by the commission into other industries, and in exactly the same way, and the reports were made in the same way.

The other industries have not kicked; they have been satisfied. It all depends on what you say about the man. Nobody quarrels when you give him a bill of health.

The first shot out of the box we went to Chicago, had a meeting, and called them in. We went over the whole ground with them and outlined the scope of the proposed investigation and submitted a list of questions to them. We then said at the end of the questions, "Answer these questions and then add anything—any suggestion—anything; don't be limited by these questions at all, but give us anything you have got by way of information—suggestion or anything—to guide us."

We got answers. None of the answers said they wanted to be called as defendants. They said they were perfectly innocent. Among other things, Swift & Co. said:

"As a matter of fact, the principal reason why packers have become interested in yards at all (this was written July 23, 1917, 23 days after the investigation began, after they had been seen and counsel were invited to take part in what we were about to do) has been to develop them to the highest point of efficiency. When a live-stock market is young and undeveloped, the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments and to provide facilities for the proper handling of animals. And this the packers have done."

Let us see.

We found that the five packers had stock interest, either small or large, in 34 yards in the country, the larger yards, and that out of \$45,000,000 of voting stock which controlled those 34 yards—that is, counting them in the aggregate—the five packers own 52.7 per cent of the controlling stock, and we don't pretend to say that we found it all. We don't pretend that at all. And then we found that of those 34 yards they had started only four or five.

We did not find that they had gone into the yards as Swift & Co.'s reply says they did. We did not find that they had gone into the yards so undeveloped that independent capital hesitated to go in, but we did find that in 28 or 29 of the cases they only went in when the yards had become so profitable that it was a good thing and too good to be overlooked and then they nabbed it.

That is how they "developed" your yards for you. The greatest development they have given to your yards has been the issuance of stock and the increase of charges.

When we went to Kansas City we found that, unfortunately, all the records of the stockyards there had been mislaid—they are still mislaid. We could not find a scrap of paper as to the earlier operation of the yard, but fortunately we found that the Kansas Legislature had found those papers—had made a rather thorough investigation themselves and had reported in 1907 that for 26 consecutive years the dividends on actual investment each year for the Kansas City yards averaged 67 per cent.

Now, they have been going at the rate of 67 per cent for a dozen odd years consecutively and then the packers come in and say that because it was unprofitable they had come in there to push things along a bit.

No; because their ownership and taking hold in Kansas City was marked by the issuance of a new lot of stock. That is what they did for the Kansas City yards. This yard problem is a question. For example, just a single item: The hay account at Omaha shows that the net profit above the cost of the hay and the cost of handling to the yard, that you folks pay is 97 per cent. Do you know of any other hay dealers who make 97 per cent?

If the going into these yards was for your sake in order to develop the livestock industry; if it was all for purely self-sacrificing ownership, why do they hide the ownership behind dummies—and dummies behind dummies? Why don't they come out and say: "We own this."

We had to trace the stock to the man in whose name it appeared and ask him "Do you own it?" and he would say, "No"; well, "Where is the stock?" His answer would be, "I have indorsed it and sent it away"; then we go to so-and-so and say, "What did you do with it?" and finally the result is the stock is found in the hands of the packing concerns.

Why do they go through such roundabout methods if this is such a self-sacrificing undertaking?

As an example—in the Armour interest in the Chicago stockyards—a corporation was created in Maine to be the holding company to hold the stock of a New Jersey company which was the holding company which held the stock of the three companies which operated the stockyards in Chicago.

That holding company of the holding company of the three operating companies was one of the most curious companies that we have ever seen. I am going to tell you briefly about this Maine company because you might want to use it in your business. I can not imagine you could, but then you never can tell.

We found that a charter was gotten in Maine and a million dollars in regular money was paid in, of which million dollars in regular money Mr. Armour put in \$194,000.

The million dollars then was used to buy the stock of the holding company of the three operating companies.

Then there was what was called a "plan." A "plan" is a piece of paper with typewritten letters on it. The "plan" was put in with the million dollars' worth of stock, and then \$8,000,000 worth of stock was issued in the Maine corporation so this paper was not worth as much before as after it was typewritten on. It was worth \$7,000,000 in the financing.

Then that \$8,000,000 worth of stock was issued to the treasurer of the company and he still has it, except the qualifying shares which were given, just for a minute, to clerks in corporation trust office up in Portland, Me., in order to qualify them to be the president, officers, and directors to run the show.

I would like to tell you about this. It is a good story. The treasurer got the \$8,000,000 worth of stock and then he issued a thing called a bearer warrant. All that it said was that this certifies that the bearer is the owner of so many shares of the holding company of the holding company of the three operating companies. It doesn't say what his name is.

You know a stockholder has only two rights, especially if he is a minority stockholder; the right to vote and the right to get his dividends and so in order to exercise these two rights—that is, to get their dividends and vote, they put in the by-laws, section 25, and printed it on the bearer warrant. Then on the warrant were coupons, 1, 2, 3, 4, etc., like on the liberty bonds, only on the liberty bonds your coupon tells how much it is worth. That is a great help when it comes to collecting the income tax. On these dividend coupons it doesn't say what it is worth so it is not any help to anybody.

Now the treasurer holds and always has held the entire stock. The stockholders themselves do not know each other, necessarily. There is no reason why they should. A dividend is declared; the treasurer sends the 100 per cent dividend over to a trust company or bank in Boston; these coupons come in and they don't have to be indorsed, and any A. D. T. boy could get it. There is no record whatever. There is no way to trace the dividends.

If the holder wants to vote it provides that his warrant can be deposited in any bank or trust company in the United States and he takes from them a receipt not giving the name of the person depositing it but simply the name of the bank with which it is deposited, and an agreement on the part of the bank that it will not let this warrant get out of its hands, and then the holder can vote that bank's certificate as a proxy without any names in it.

I leave it to you, is there any reason for transacting a straight-out business in such a roundabout way as that? What good use is there in any such complicated device as that?

Of course it is profitable.

Well, we got the president of this \$8,000,000 company, and we had a hard time getting him, too. He did not know anything more about that company than you do. He did not know as much because no body had told him as much as I have told you. We telegraphed him at the address that was given in the corporation records and got an answer signed by his name from New York. We carried on a telegraphic correspondence with him for two or three days, and finally we subpoenaed him to come to Washington. When he came down to Washington we put him under oath and simply asked him inadvertently where he was when we wired him, and he said he was in Portland, Me., all that week.

The lawyers had carried on the correspondence. We asked him what his last dividend was, and he said "\$2.50" on his one share of stock. We asked, "What did you do with it?" He said, "It was not mine. I had to send it back."

It may be a good thing to get the stockyards of the country into the hands of a president who gets a \$2.50 dividend and can not keep it, but I do not think so.

Mr. Armour put in \$194,000. He got \$1,552,000 worth of stock. In four years, from January, 1914, to the end of last year, 1918, his dividends amounted to \$356,950.

Unlike the president, he did not send it back.

Now, I do not object to that. Not in a single line of the Federal Trade Commission's report have we objected to profits, and we have no objection to profits. Why, profit is the lifeblood of business! You must have profit, and we like to see you get it. The packers have to have it, and we like to see them get it—a generous profit, but let us know how he gets it, where he gets it, and from whom he gets it, that is all.

Don't tell us that the profit in meat is less than a cent a pound because your cattle prices are so high, without telling us that cattle prices are high because you are skinned on charges from the time your stock leaves home. That all goes into the price of meat. Let us see where the various profits in this pound of meat are, and who gets them.

Oh, yes; we found this was more than an economic question before we got through. It is too long a story to tell you about—what shall I call it?—the benevolent assimilation of S. & S., the Sulzberger concern. It is too long a story. It is all in the report. Send for the book and read about it. It will be interesting. It is one of the most interesting problems in financing. It is not an economic question. It was high finance—very high, but it showed that the big fish could swallow a big fish—and did.

I say it is too long; too complex to tell now. It took months to unravel the thing. It is not unraveled yet.

They can take the big fellows and the little fellows, too. Take the case down at Sioux City, of old Terni, who ran the place in the old stockyard. Why, they say the Federal Trade Commission is destructive of business. They say that if some of the things we suggest are done, that you can not expect the big packers to invest in their business and increase it. Well, if some of the things we suggest to be done are not done you can expect nobody to invest a penny in it.

Here was this old man Herni, in Sioux City, an old Swiss. A good many years ago he started out by going over to the yard every morning with a wheelbarrow and buying the crippled hogs and taking them back to a small shack, and there he killed and dressed those hogs and peddled the meat around town. That was his start.

He and his wife ran that business enterprise without a single bit of aid from anybody. By getting up before anybody else got up and going over to the yard and getting the crippled hogs; by staying on the job, without the assistance of by-products, this old man built a fine, tidy, modern plant and increased little by little and finally he had a modern plant.

When it came time to buy land he bought a piece of land adjoining the yards. When the yards grew they had to go through, over, or around this old fellow. This man was not the kind you could go through, under, or over—that is, not immediately—so they had to go around him and there sat his plant and it cut right into the yard and the yard was around him on three sides and the street was out in front. I would call that a convenient location for a packing plant, wouldn't you?

So then by this time he was buying in good quantities and he would go into the yard to buy his stock, pigs, hogs, and cattle, and for years he asked them to cut a gate in his fence so that his stock could be driven from the yard into his plant. But they would not do it, and he had to drive his stock down to the other end of the yard and down through one of the streets of Sioux City, a street filled with car tracks and trucks, and drive his stock down that street and into his plant through the front way.

For years he asked the city council of Sioux City to let him run a spur track into his yard, and for years the attorneys for the packers and for the stockyards company would appear before the council and explain. I don't know exactly what they said, but something to the effect that Sioux City would slide off into the river if they did that. It was much better to be driving live stock through the city street.

Well, this old man hung on until finally, only a short time before his death, he gave up the fight. He sold out. He sold out to the stockyards company which was controlled by Swift & Co., and then they leased it to Swift.

The next day the gate was cut and then the council was asked by the same lawyers, who told them repeatedly what a catastrophe it would be to let this line in there, to let the track go in and they granted the franchise for the track.

This is just a little of the story. It shows you they can swallow the big ones like S. & S. and the small ones like Hernl. How does that strike you as being destructive of business? We never said or did anything as bad as that. Just imagine strewing broken bottles in the track of an old man like that. Good God! What is America for if a man can't come here and through his own industry operate an enterprise to which the law entitles him?

The ownership of these yards carries with it other things. For instance, in the yards, you know, there is the rendering plant and the rendering plant has exclusive right and your commission man who signs a lease to transact your business can be evicted on 30 days' notice if he does not turn his business over to the rendering plant inside. Over at Sioux City they paid \$3.02 when the hides were worth \$10. Let us see how profitable that was.

"Chicago, Ill., July 21, 1917," L. F. Swift wrote, "Mr. R. F. Murray, secretary the Sioux City Stock Yards Co., Sioux City," in regard to the Iowa Rendering Co., "If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock as \$630 per share and make your return on this basis."

A memorandum referring to the matter tells about the profits in this rendering company which the Swifts own stock in, and says:

"Dividends paid January, 1916, special dividend, 50 per cent.

"November, 1916, special dividend, 50 per cent."

Two specials in one year make 100 per cent for the year 1916.

"Regular quarterly dividend, 20 per cent per annum."

That is 120 per cent per year.

"April, 1917, special dividend, 50 per cent.

"January, 1917, regular quarterly dividend, basis 20 per cent per annum.

"April, 1917, regular quarterly dividend, basis 20 per cent per annum.

"Will it be satisfactory to you to pay special dividend of 50 per cent?"

They asked that in July. I think it would be satisfactory always to pay a 50 per cent dividend.

I am not complaining now about that dividend. I am not complaining about the amount of money. I am just saying that if those dividends could be paid by that rendering company that you folks were entitled to more than \$1.00 for the dead animal. I say it was not an even break.

Then there is this relation with the railroads, the traffic club, the club of control by big tonnage which the packers hold over the railroad company. Speaking about destruction of business. Here is an example. Down at Hodge near Fort Worth, the Katy had a stockyard. A letter was written to Swift & Co. from St. Louis.

Swift & Co.'s man said he had been talking with some other railroad man and he had talked with the Katy people and the Katy people wanted to know why they did not get packer business, and the Swift man said that as long as they continued to operate this Hodge yard in competition with the packers' Fort Worth yard they could not expect any business from them. The Swift people said that if they wanted to dismantle the yard and wipe it out of existence they could get back into the packers' good graces.

to cut a long story short, that is exactly what was done. I think it was a waste of space of three weeks from the time they spotted the yard to clean it up, and the time the yard was a prairie. I think that is destructive of business. I think anybody who will do that is destructive of business. They can say any things about the Federal Trade Commission, but they can not find anything like that on us.

When we said there was a great advantage—an unfair and undue advantage—in the ownership of the refrigerator cars they came back and said, "That is easy. Any of these independent fellows who want cars can go ahead and rent them. There is no patent on them. If they haven't the price of a car they can rent one; we are not stopping them."

Well, that seemed like a simple answer. So the Federal Trade Commission for one year, with the aid of the Interstate Commerce Commission and other assistance, traced every refrigerator car in the United States every day, 365 days, for a year. Then we divided them into two classes, those that were owned by the five big packers and those that were not; then we took the miles that they traveled, divided by the number of cars, and we found one of those incidences, one of those things that—well, they tell us it just happened.

We found that every one of the packer cars on the average each day, for 314 days of operation, 314 days, I think; I am not sure about that figure—I have to be careful; if I misquote a figure it is all off—each one of those cars owned by the packers each day averaged 80 miles. Each one of the cars owned by one who was not a packer averaged 54 miles.

Of course, that just happened. It does not mean there was any club on the railroad; oh, no.

Now look at the advantage that gives over the independent packer who is trying to compete. Laying aside the investment in the car, or if he has to rent it, just consider the tying up of his working capital. One man's meat goes to market at the rate of 80 miles a day and another man's 54 miles a day, and between those figures, it is very likely, the difference in profit and loss will be found. The money turns over just so much slower.

Decker & Co., out in Mason City, took this prescription—"Well, if you want cars, go get them; nobody will stop you." The first one they started out was for 177 days—six months. It cost them \$116.46 to rent that car and the car earned \$16.56 for them. They testified about six cars. For all the six cars the rent they had to pay was \$468.68 and the earnings on those six cars were \$51.56. They had taken the packer's medicine—perfectly simple—"If you want cars, go get them."

Some of those Decker cars the railroad companies hauled coal in. Did you ever hear of hauling coal in one of the packers' cars? I pity the railroad man who would try that on them.

So you see this was not an "economic investigation." There is a lot more than economics in it. We found, for example, that these five companies are spread out all over the country. They have gone into related and unrelated businesses. There are something like 750 companies operated by them; hundreds of different commodities dealt in by them. The Federal Trade Commission has suggested that it would be a good thing, since the packing business is the biggest single business in the country—bigger than the United States Steel or the Standard Oil—if the packer would stay in his own field. We may be dense, but we can't see how breakfast food, habbitt metal, coal coke, lumber, bumping costs, railroad supplies, and things like that are connected or related to the packing business.

Why should an industry engaged in preparing a basic food for the people of this country set out deliberately to control the substitutes for that food? Why should they reach out for the canned fish and canned vegetables and cereals, and why, having gotten a pretty good grip on the butter market, should they reach out for the butter substitutes?

If there is not going to be competition in the packing business (except this fierce competition between the five), if there is not going to be competition in meat, for God's sake let us have some competition among the other things to eat. [Applause.]

They claim that all this bringing together of these things is a good thing because they can do it cheaper than anybody else. Well, can you buy any cheaper than this? If not, why put these other people out of business? Why not let

the business be big enough without invading these other fields. They say the saving of by-products is economic, and I agree to that and I am

for it, but I am not so certain that it is not offset when you remember that they haul cattle from El Paso to Kansas City and ship the beef back through El Paso to Los Angeles for people to eat.

I don't know but that the by-products economies are pretty well used up in the long haul, and I don't know why, geographically, financially, morally, socially, and religiously, there is any reason why there should be only beef killing and packing plants in the towns selected by the big packers, nor why packing houses can't come nearer to the range and ship the meat, instead of the live animal on the long hauls, and if you will open the door of competition and independent capital—I am trying to welcome business into a great big enterprise—if independent capital dared go into the packing business now you would have packing houses scattered all over the country, and it would be a benefit to all and there would be no economic waste of by-products.

There would be a lot of economic saving in transportation—economic saving of transportation and hay charges at Omaha.

Well, we came to some conclusions in this report. We concluded if it were possible to have an open road and free channel of trade from the range to the table a lot of these things would work out all right; that it was the fact that the five concerns had erected all the way along the line toll gates and took toll of your stock every time it passed a gate.

We found that there was the control at the market; control of the yard; the commission man himself doing business practically under the license of the packer, because the lease that lets him do business in the yard can be revoked by the packer. Now, if the commission man is not under license of the packer I would like to know what he is. I have the greatest admiration for the way the commission man has stood up and tried to serve the interest of his client in the face of the fact that he is operating under a license by the other party to the bargain. It is not a very comfortable position to be in to do business.

Why, they say they are going to tell you that it is "Bolshevik" to license the packers and the commission men and the stockyards. Maybe so; the packers do it; the big five do it—if it is "Bolshevik" they do it.

They tell you there is no collusive buying; they say there is no agreement as to how much they buy and don't buy and relation of the percentage of the five packers. Now, here are five companies; take them into the 12 big markets. In some of the cities, in some of the markets two of the companies buy—as in Denver here—in some three buy; in some four; in some five—all the combinations you can make of the five packers in these 12 markets.

Now, in one of their written explanations they have pointed to violent percentage buying fluctuation in the various markets as proof of competition between the five packers. But add up those purchases—in all 12 markets—by all five of the big packers, week by week, and total them by weeks right straight through the year—you will find on page 50 of the commission's report a chart, two of them—one shows a jiggy line with the weekly purchase fluctuation—it looks like a cross-cut saw—then the other chart shows the weeks added up until you get through the year and there is no variation of 1 per cent on all those millions of purchases.

Now, they say that that just happens. Well, it is quite a stretch of imagination to think that in 12 markets, unconnected, no intelligence passing back and forth, you can draw a straight line involving all those millions of purchases by five eager competitors.

But we charted them back five years on cattle, sheep, and hogs, and we did not find a wiggle in the line. I will go on the coincidence theory for one year, but I will be hanged if I will go five. [Laughter.]

Then, there is another perfectly good explanation; it is "plant capacity."

Denver here is 50-50. I pointed that out to the committee in the House of Representatives. I read young P. D. Armour's letter to Uncle Ogden where he said—(mind you, they say they buy in this peculiar way because it is plant capacity)—young Philip D. Armour; 3d, writing from Denver, October 19, 1915, says:

"Of all the plants we have, this one certainly needs our first attention. In my opinion, the best part of it is as bad as the worst part of any of your other plants. Swift's plant, from what I hear, and from the little I saw of it, is far ahead of ours, both as to the size and condition. Of course, as you know, everything here is done on a 50-50 basis."

How can you be far ahead and far behind both as to size or condition? How can you be that if you are 50-50?

"Of course, as you know, everything here is done on a 50-50 basis, and with the facilities we have it is almost impossible to keep up this ratio."

Well, I noticed in the paper what Mr. Armour said yesterday to the House committee which asked him about this 50-50 letter. He explained it by saying there was no agreement. I am quoting from newspaper: "Naturally in Denver, where there were only two of us, the division would be 50-50." Well, that is a better explanation than "plant capacity." I don't know but what it is about right, but you see, then, "naturally"—the laws of "nature" and of the packers—don't seem to make any provision at all for anybody else because 50 and 50 are 100 per cent. His answer to the House committee was that "When we are in town naturally it is 100 per cent for us." I think that is correct.

Now, we will come down to the legislation. We could talk to you about profits and that sort of thing, but we will not do that.

Now, all the war restrictions that have been put on will soon be off and some sort of legislation is urgent unless you are going to go back to the same condition that you were before the war.

Some slight progress has been made. Whenever you gain an inch of ground you want to hold it. Whenever you find that you can gain an inch of ground that is proof you can gain two inches more. Go after them and keep after them.

We do not come to recommend any bill. That was not our job. Our job was to find the facts and it is up to Congress to find a bill. The so-called Sims bill provides for licenses. They say that it provides for Government ownership. It does nothing of the sort. They say it appropriates \$500,000,000. It does nothing of the sort. It authorizes an appropriation to be made by another bill which must separately go through Congress if it is found necessary to go the whole route.

It simply is a declaratory statement that Congress has made up its mind that it is going to stop this sort of thing.

When they tell you it is Government ownership it is nothing of the sort. There is not a dollar nor a cent appropriated under the terms of the Sims bill.

Now, any bill that you have, I don't care what it is, or who writes it, the bill will not amount to much unless it is administered. Nine-tenths of any law is in its administration. The best law ever written can be ruined in its administration, and a pretty weak law can be made to work pretty well if the administrator is on the job and will not be bluffed.

So I would say that the most important thing, and even more important than the terms of your legislation, is to be sure of the administration of it and keep your eyes on the administrator always, whoever he is, because the other people never take their eye off of anybody.

Senator Kendrick has drawn a bill aimed at the heart of this whole difficulty. It is a bill that I think you have all seen and discussed. None of these bills as drawn at first are the bills that are finally enacted into law. These things are worked over and over when it comes to the finish; many minds, many hands have made many changes, but this is what I want to say: That I don't want to give an opinion as to any bill—that I believe in this bill or that bill, but I will tell you what I will say, and you will go with me—I say that I put my faith and confidence in Senator Kendrick, and that when the final roll call comes and you get to the show-down, the bill you find him voting for will be good enough for you and that is good enough for me. [Applause.]

The CHAIRMAN. Mr. Dillon, have you any questions?

Mr. DILLON. Mr. Murdock, as I understand, this bill first relates to Government ownership; am I right about that?

Mr. MURDOCK. No; some one else may be able to explain that bill with greater care than I can, but it looks first to the institution of a license.

Mr. DILLON. That is secondary; it first proceeds upon the theory of taking over as a governmental instrumentality this packing business, if I construe it rightly; in the second place, it takes up the system of regulations through a system of licensing. Do you think either of those propositions is the correct way of handling the situation?

Mr. MURDOCK. I think so.

Mr. DILLON. You do?

Mr. MURDOCK. Yes.

Mr. DILLON. And if you can regulate the meat-packing industry through a system of license you can do likewise upon every other line of business; is not that true?

Mr. MURDOCK. Yes.

Mr. DILLON. I want to submit to you one or two propositions that seem to me that might reach this situation other than as presented by this bill. First, you spoke a little while ago about competition. Now, how are you going to regulate competition in cases where there is a gentlemen's agreement? In other words, here is a banquet that is held, and insurance companies will select a leader, and then raise their rates, and they will promulgate all over the United States those rates, and every other company follows them. You can't prove any agreement there, can you?

Mr. MURDOCK. Judge Dillon, I asked George Perkins once how to bust a trust. He said, "Cut the telephone wires of the country."

Mr. DILLON. Is not an effective remedy one that will specify certain facts or certain conditions and say when the prosecution has proved those facts, that the burden of the proof shall be shifted upon the other side to show good faith in the transaction; is not that an effective remedy?

Mr. MURDOCK. I think not.

Mr. DILLON. That is to say the prosecution should prove certain substantial facts, that you know and everybody else knows, that there is a combination. Now, when you prove those substantial facts, that thereupon the burden of proof shall be shifted to the other side to show good faith, and to show there is not a combination?

Mr. MURDOCK. I wish you would take that up with the constitutional lawyers.

Mr. DILLON. I have drawn a number of bills upon those lines since I have been down here, and it seems to me it would provide a splendid line of control if it were followed out with a persistent, active, aggressive prosecution on the part of the Government.

Mr. MURDOCK. I was not aware of the bill. I should like to see the bill.

Mr. DILLON. Now, another proposition: Do you see any wrong in a big corporation, with vast sums of money behind it, controlling all of a certain line of business?

Mr. MURDOCK. Personally?

Mr. DILLON. Yes.

Mr. MURDOCK. Yes. I believe that its chief evil is that it represses individual initiative.

Mr. DILLON. Yes; I agree with you on that proposition. That would it not be an effective remedy to require these corporations to take a Federal charter and specify the amount of capital that can be invested in a certain enterprise, and confine them to one enterprise in the place of hundreds of enterprises?

Mr. MURDOCK. Well, that is pretty far afield for me.

Mr. DILLON. In other words, put into your charter the agreement under which they must operate, and thus bring them under Federal control?

Mr. MURDOCK. Not unless the conditions, Judge Dillon, compel us to take that step, because we are moving economically in some very strange, rather forbidding fields, and individually I am anti-

at we should proceed with caution. As I told you before, I still here to the old proposition that competition is the life of trade and I would like to see business free.

Mr. DILLON. Yet it is destructive of trade carried out to its legitimate conclusion. There is one other line. What do you say about the Webb export bill, as to whether that is a bill that encourages competition or whether it is a bill that encourages combinations?

Mr. MURDOCK. Undoubtedly it encourages combination for export. That is, that a group of men who, singly, would not be able to be successful in a foreign field, shall combine together.

Mr. DILLON. Yes; do you think we ought to pursue that line and push out in that direction, and urge combinations?

Mr. MURDOCK. Judge Dillon, you have passed the law. I have no voice in the matter. It is for our administration. You have passed it. Of course, I am free to confess, Mr. Chairman, that I do not see exactly how you are going to allow a combination to send a loaded ship out, but not allow it to bring a loaded ship back. I do not get that.

Mr. DILLON. Of course, I might say that it did not pass with my vote. I think that is all.

The CHAIRMAN. I do not want you to come up here and give us so much illumination as you have without the chairman even saying "howdy." I want to call your attention to this question, to what some gentlemen, not alone on this committee, but seemingly everywhere, think that men can be made to do right by placing a penalty, and in no other way, and want to rely on what they call the grand jury, the criminal prosecution. Now, if by regulation or law you, by civilizing, can prevent the crime from being committed, why should it not be resorted to? In other words, why should you not have both criminal and civil remedies?

In the case of criminal prosecution, in the first place you have got to have a man indicted, which requires almost unanimous action of the grand jury. In the next place you have got to have him haled into court, if you can catch him, and then you have got to convict him by the unanimous verdict of 12 men; 12 men have got to agree with you, and you have got to prove the man guilty beyond a reasonable doubt. If it were a civil remedy, a majority, I mean a preponderance of evidence would convict and in many cases an injunction by the action of a single man, a judge, can stop the matter, and so it seems to me that we ought to do just what we have been trying to do, combine both civil and criminal remedies, even applying to the same person, the criminal remedy to be applied where the action is flagrant and involves a higher degree of moral turpitude than the mere evasion, or slightly going over the twilight zone in the form of combinations, which may be broken up and penalized by order to desist?

Mr. MURDOCK. I think I am in accord with you. And, Mr. Chairman, before I close, I should like to say this to Mr. Winslow. I rather fancy he is of one political school and I am of the other. I said at the outset that I had gone into this thing, I thought, without passion and without prejudice. Certainly the only interest I could have in this problem is one of a citizen in the public interest, and an official who has been given a duty to perform.

The thing that appalls me, Mr. Winslow and gentlemen of the committee, let me say in closing, is the fear I have in the fact that wealth begets wealth, accumulation is followed by accumulation, and absorption is followed by absorption. I read somewhere last night that Armour & Co., as packers, had in 1868, that is three years before I was born, a capital of \$160,000; that that capital has earned in the 50 years from 1868 to 1918 for the members of the Armour family, \$28,000,000, and that there is left, after the withdrawal of the dividends, an equity to the members of that family of \$156,000,000. Those figures appall me. They seem to evidence to me a constant growth of power, power than I fear my Government even can not fit and control.

There is a license proposition here. I know and you know that during this late war Mr. Hoover had theoretical power through license over every one of the five big packers, but it was never in Mr. Hoover's actual power as an agent of his Government to revoke the license. It is true that Mr. Hoover, as a public official, could reach over and take the license away from the little man, the humble citizen, the fellow who expected equality in this land, but it never was in his actual power to reach out to Chicago and take the power away from a great malefactor, had he been a malefactor.

I do not like those things. I am an American citizen; I believe in my country. I fear power when it accumulates to the point that it is not amenable to the corrections of this Government, and I believe with all my heart and soul that the men making up this committee must apply themselves to find remedies that will meet that situation, else this Nation will move into fields which, in God's name, we as a Nation should avoid, as a Nation of free men.

The CHAIRMAN. Mr. Stiness.

Mr. STINESS. I want to ask Mr. Murdock a question. There has been quite a discussion as to whether or not the packers have had a fair show, and whether they could appear as witnesses or not. If I remember correctly, Mr. Heney said that you presided at a hearing. I think, in Boston?

Mr. MURDOCK. That is right.

Mr. STINESS. You presided as a member of the commission, did you not?

Mr. MURDOCK. Yes.

Mr. STINESS. Had you prepared the evidence or gone over the evidence that was to be presented to you, the number of witnesses at the time that you would talk in the investigation; had you considered those things?

Mr. MURDOCK. I do not recollect that. I fancy not.

Mr. STINESS. Mr. Heney prepared the case, did he not?

Mr. MURDOCK. I suppose he did.

Mr. STINESS. And he was the legal counsel for the Federal Trade Commission?

Mr. MURDOCK. Yes, sir.

Mr. STINESS. You say you are not a lawyer?

Mr. MURDOCK. No, I am not.

Mr. STINESS. Mr. Heney is a lawyer and of a reputation of being an able lawyer. You would decide upon the question as to who should be admitted to testify, would you not, before that committee?

Mr. MURDOCK. I suppose so; yes.

Mr. STINESS. And if you had any doubt in your mind about it, you would take the advice of your counsel, would you not?

Mr. MURDOCK. Well, within limits.

Mr. STINESS. You said if the question came up you would take the advice of the man acting as legal adviser?

Mr. MURDOCK. I think yes; but I would not be bound by his advice.

Mr. STINESS. But would you not be bound by his advice in affairs of the Commission?

Mr. MURDOCK. If I did not think his advice was good, I would not. I have frequently differed with the attorneys, I will say.

Mr. STINESS. Did any of the packers, or their representatives, appear before you and appeal to you as the presiding officer of that meeting for permission to testify?

Mr. MURDOCK. I have no such recollection; no.

Mr. STINESS. Is your recollection sufficient so that if they had you would remember it?

Mr. MURDOCK. It seems to me it is; yes. I have no such recollection.

Mr. STINESS. Did they, through their counsel or themselves, or anyone else, ask permission to cross-examine any witnesses?

Mr. MURDOCK. Of me?

Mr. STINESS. Yes.

Mr. MURDOCK. No.

Mr. STINESS. Then no testimony was offered and no cross-examination was asked for?

Mr. MURDOCK. No; that is correct.

Mr. STINESS. They have stated—the packers have stated here before this committee—that such was the case.

Mr. MURDOCK. That they asked me in Boston?

Mr. STINESS. No; that they asked at different times and places to be allowed to testify, and Mr. Heney, if I remember, testified that one time you presided in Boston.

Mr. MURDOCK. Yes.

Mr. STINESS. So I have asked you if they did it then.

Mr. MURDOCK. No.

Mr. STINESS. Had they asked to be sworn or had they asked to testify, or had they asked to be permitted to cross-examine any witness would you have permitted it?

Mr. MURDOCK. I think not. Of course I do not know what I would have done in that event. You are asking me a hypothetical question there.

Mr. STINESS. I am asking you as to the policy of the commission.

Mr. MURDOCK. I should say not.

Mr. STINESS. You wanted to get at the truth of the matter, did you not?

Mr. MURDOCK. Yes.

Mr. STINESS. Then why would you have refused to allow them to testify?

Mr. MURDOCK. As I stated in the beginning here to-day, I did not for one want to grant immunity; that is the first thing; neither did I want that hearing delayed by filibustering and obstructions, as I knew would be in that case. But I want to say frankly if the thing had been put up to me in Boston I do not know what I would have

done. It was a new proposition to me. I had not talked to anybody about it. But I should also like to say this: I have no recollection of the packers ever asking to be heard. Levy Mayer, the attorney for Armour, is a man I have known for 25 years. Levy Mayer came into the commission during the progress of the hearings, and as I recollect it his complaint was that we were injuring the packers' credit, and he wanted hearings stopped entirely. Subsequently he appeared before Gov. Fort. What happened then I have only second-hand knowledge of, and I am not going to report it; it should come direct. The third time Levy Mayer and Mr. Armour came before Gov. Fort and Mr. Colver, two members of the commission—I was not there—and Mr. Armour made a statement, but as near as I can discover he did not ask to be heard further than that, and that was long after the hearings had closed. But, as I said in the beginning, this was not an adversary proceeding; this was an inquiry.

Mr. STINESS. That is all right; I am simply asking for information. Mr. Heney also testified that at some times it was not convenient for the commissioners to be present at the hearings and preside, and that at those times he had an examiner, or an inspector—I do not remember what the title was of the gentleman who presided.

Mr. MURDOCK. An examiner.

Mr. STINESS. That examiner, not being a member of the commission, and having the authority that the commission had, would be governed in the admission of testimony or the request to examine witnesses by the counsel of Mr. Heney?

Mr. MURDOCK. He ought not be, and very frequently it happens that the examiner is not governed by the opinion of the chief counsel who is present, or the chief examiner. I have known of cases of that kind.

Mr. STINESS. The examiner was under the direction of Mr. Heney in making this investigation, was he not?

Mr. HENEY. Yes; but the chief examiner reported to the commission.

Mr. STINESS. But if Mr. Heney had not used this examiner, would not be there under his direction, would he? I am simply asking for facts.

Mr. MURDOCK. I do not know what you mean by that.

Mr. STINESS. He would not be there at the hearing?

Mr. MURDOCK. If there had not been a hearing there, there would not have been an examiner there.

Mr. SANDERS. Who sent the examiner to hold the hearing?

Mr. MURDOCK. The commission.

Mr. STINESS. But these examiners were used by Mr. Heney for investigation when he saw fit to send them, were they not?

Mr. MURDOCK. I do not know whether that would be true or not.

Mr. STINESS. I am asking you.

Mr. MURDOCK. I think Mr. Manly, for instance, who presided in Chicago, was not an examiner in the sense he had been used to examine. He was there in that case as the presiding officer.

Mr. STINESS. Mr. Heney used the personal pronoun "I" largely through his examination: He said, "I sent this man." "I sent that man." So, I supposed he had authority to send any examiner he saw fit. Is that correct?

Mr. MURDOCK. The answer apparently to that is yes.

Mr. STINESS. That is all I want. I should like to pursue it further, but it is a little too late. Your commission has authority to subpoena witnesses; have they also authority to send a subpoena duces tecum?

Mr. MURDOCK. Yes.

Mr. STINESS. You do not have to go to the court to do that.

Mr. MURDOCK. No.

Mr. STINESS. When he said he sent a subpoena duces tecum by telegram, that he subpoenaed them by telegram, he was making a bluff, was he not?

Mr. MURDOCK. I do not know.

Mr. STINESS. As a matter of fact, is it possible to send a subpoena duces tecum by telegram?

Mr. MURDOCK. No.

Mr. STINESS. That is what he testified yesterday.

Mr. MURDOCK. Of course I do not know Mr. Heney's testimony.

The CHAIRMAN. He meant it in the sense of a request.

Mr. STINESS. No; he said he did it.

The CHAIRMAN. It would not be a subpoena duces tecum, of course. It would simply be a request.

Mr. Sanders, have you any questions?

Mr. SANDERS. Not at this hour.

The CHAIRMAN. Mr. Lightfoot wants to make a request of the committee.

Mr. LIGHTFOOT. I will say that the hearing is about drawing to a close and the committee has been very generous to permit statements of various kinds for its information to be incorporated in the record, and the record is somewhat clouded, I think, on some of the real issues involved in this whole hearing; and I have taken it upon myself to prepare a brief chronological history of this controversy, commencing at its beginning and quoting from official and public documents in connection with the matter, more particularly the proceedings of the American National Live Stock Association, showing the inception of this controversy in each one of its points down to the present time, so that anyone taking these documents and reading them, will get a clearer conception, in my judgment, of the whole issue and its development, than he could get by reading the entire record before this committee, and I desire to ask the privilege of having it included in the record.

The CHAIRMAN. Is this new matter?

Mr. LIGHTFOOT. No, sir.

The CHAIRMAN. Was it brought out in the hearing?

Mr. LIGHTFOOT. Surely; it was only brought out in snatches.

The CHAIRMAN. But not in a definite form?

Mr. LIGHTFOOT. No; not in this hearing.

Mr. STINESS. What is it—a brief?

Mr. LIGHTFOOT. No, sir; it is a chronological history of this whole controversy, in which I begin with a speech made by Mr. E. L. Burke, in Denver, Colo., which resulted in the appointment of a committee by the National Live Stock Association, and they made it to the National Live Stock Association at Denver in February, 1915, and then following that in 1916, at El Paso, they appointed a markets committee, which has fostered the propaganda up to the introduction of the Borland resolution, the

Doolittle resolution, and all the steps coming up to this time in the development of this whole proceedings, and I think the quotations from these reports will throw a great deal of important light on this whole matter, which is reflected in the speech that Mr. Colver made at Denver the other day, and it is, I think, very illuminating on this whole matter.

The CHAIRMAN. Let me ask you a further question before you submit it to the committee. This, of course, can only be admitted by unanimous consent of the committee.

Mr. SANDERS. There is no use going into it then. I will not consent that any part of the document be introduced.

Mr. STINESS. I think we have got in now more than anybody will read, and I object to it, too.

The CHAIRMAN. Then the hearings on this subject _____ to everybody.

(Thereupon, at 5.30 o'clock p. m., the committee adjourned.)

Year	General events.	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons).	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
1857	Local slaughtering characteristic. Live stock shipped from West to eastern cities. Cincinnati the chief packing center. Chicago takes the lead from Cincinnati as a packing city.		Gustavus F. Swift, a lad of 18, made \$10 killing his first calf at Barnstable, Mass.					
1860				Morris already established at Chicago (1859).				Do.
1863		Armour & Co., a partnership is formed. Plankinton and Armour are pork packers at Milwaukee.				Sulzberger & Sons have a plant at New York City (1853).		Do.
1865	Union Stockyards & Transit Co. organizes stockyards at Chicago.							
1867		Plankinton and Armour also establish a Chicago plant.						Do.
1868	Refrigerator car patented.							
1869	First car of fresh beef shipped from Chicago to Boston.	Plankinton and Armour put up plant at Kansas City.						Do.
1870	St. Louis and East St. Louis come forward as packing centers.							
1871	Kansas City Stockyards Co. opens for business; capital \$100,000.							
1872	St. Louis National Stockyards (East St. Louis, Ill.) organized; \$1,000,000 capital. Allertons largely interested.	Armour & Co. moved their Chicago plant into the Union Stockyards.						
1874		P. D. Armour builds first large chill room in the world.						

Progress of the packers, 1857-1917—Continued.

Year	General events	Armour.	Swift.	Morris.	Big Five—summary of plants, etc., acquired and built during year.
1876		Philip D. Armour moves from Milwaukee to Chicago, accompanied by Michael Cudahy, superintendent of the Plankinton & Armour plant at Milwaukee, to act as superintendent of Chicago plant.	Gustavus F. Swift comes to Chicago from Buffalo, N. Y., as cattle dealer.		
1878		Michael Cudahy becomes a partner in Armour & Co.	Swift & Barnes begin shipping refrigerator beef to Boston.		
1880	Kansas City develops importance as packing center.	Armour & Co. begins manufacture of oleomargarine.	Swift has already formed several partnerships. Builds a slaughtering plant at Chicago.		slaughtering plant.
1884	Union Stockyards Co. of Omaha organized; capital \$1,000,000.	Armour & Co. engage in the glue business. Establish first branch house in Albany, N. Y.			glue works.
1885	Geo. H. Hammond & Co., of Detroit, begins slaughtering of cattle at Omaha. Kansas City Refrigerator Car Co. organized by the Fowler, Anglo-American Provision Co. builds plant at Chicago. Formation of first known combination of packers, Armour,		Swift & Co. (Ill.) incorporated with \$300,000 capital.		

Progress of the packers, 1867-1917—Continued.

General events.	Armour.	Swift.	Morris.	National Packing Co.	Cudahy.	Big Five summary of plants, etc., acquired and built during year.
<p>\$4,000,000; bonds, \$1,500,000.</p> <p>General events.</p>					<p>ing Co. and organize Cudahy Packing Co. (111) capital, \$3,000,000.</p>	
<p>hip-</p> <p>side</p> <p>few</p> <p>com-</p> <p>made</p> <p>our,</p> <p>in a</p> <p>,000</p> <p>made</p> <p>hair</p> <p>sago</p> <p>St.</p> <p>Beef</p> <p>, or</p> <p>ital</p>		<p>packing plant at East St. Louis at about this time.</p>				
<p>Dis-</p> <p>sed,</p> <p>lock</p>	<p>Armour & Co. receives stockyard bonus from stockyards company for locat-</p>	<p>Swift & Co. begins having hides tanned for it on contract, shipping 10,000 hides for this purpose.</p>			<p>Cudahy Pack- ing Co. builds plant at Los Angeles.</p>	<p>2 slaughtering plants, contract tanning begun.</p>
<p>con-</p> <p>ents</p> <p>seed</p> <p>seed</p> <p>Co.,</p> <p>ing</p> <p>ack-</p> <p>St.</p> <p>leaf</p> <p>, (1.</p>	<p>branch houses; eventually acquired by Armour & Co.</p>	<p>Swift & Co. increases</p>	<p>Fairbank Canning Co. receives land bonus from St. Louis National Stock- yards, East St. Louis; latter in- creases its stock from \$1,200,000 to \$2,000,000; of</p>	<p>Sulsberger & Sons now have a capital stock of \$5,000,000 and a slaughtering plant at Kansas City.</p>	<p>Bulldoz plant at Sioux City, receiving stock bonus of \$200,000 from the stock- yard.</p>	<p>1 stockyards; 4 slaughtering plants; 1 meat-canning plant.</p>

H. Hammond Packing Co., Morris & Co., Swift & Co.) allowed to lapse during 1896-97.	the 12,500 shares of the yards company before this increase, the Morrises and Almortons voted 6,672 and the Swifts and their associates 3,802 shares.		1 slaughtering plant.
1894			
over an unsuccessful company formed in 1892, plant at Chicago. United Dressed Beef Co. incorporated to slaughter in New York City. "Veeder Statistical Bureau" performs functions of pool, except that it has no	Swift organizes St. Joseph Stockyards Co.; capital, \$300,000.	St. Louis National Stockyards increases capital to \$4,000,000.	1 stockyards.
1896			
	Swift & Co. about this time acquires a produce house at Trenton, Mo., and one at	Morris & Co. receives land and \$200,000 for locating a plant	2 produce houses.
1897			

Progress of the packers, 1857-1917—Continued.

3½ Five—summary of plants, etc., acquired and built during year.

slaughtering plants; more tanning on contract.

produce house; 1 box-board plant.

slaughtering plants; 2 produce houses.

1901	P. D. Armour dies....	<p>merly owned by another branch of Armour family.</p> <p>Armour & Co. acquires \$300,000 stock in St. Louis National Stock Yards Co., and receives bonus of 20 acres of land also 124 acres and 4,000 shares stock bonus from Sioux City Stock</p> <p>Boston (meatselling) bought by Armour & Co</p> <p>Armour & Co. builds</p>	<p>Swift & Co. acquires four produce houses about this time. Incorporates Swift Fertilizer Works (Ill.) with stock of J., a large Boston hog-packing company with stock of \$6,550,000.</p> <p>Swift & Co. builds slaughtering plant at Fort Worth, receiving bonus from stock yards company</p> <p>Lanta, Ga., and Wilmington, N. C.: Swift & Co. acquires rendering companies at St. Paul and</p> <p>England branch houses. Also organizes Swift Canadian Co. (Ltd.), with slaughtering plant at Winnipeg. Swift acquires Fowler Packing As-</p>	<p>Properties being bought by Armour, Swift, and Morris individually from National Packing Co., capital \$15,000,000 National Packing Co. acquires Fowler Packing Association, Friedman Manufacturing Co., Q. H. Hammond Co., Anglo-American Provision Co., Hammond Packing Co., Fowler Bros. (Ltd.), Fowler Canadian Co. (Ltd.), United Dressed Beef Co., Ruddy Bros., St. Louis Dressed Beef & Provision Co., Sturtevant & Haley, Stock Yards Warehouse Co., Omaha Packing Co.</p> <p>Morris acquires United Dressed Beef Co. for the National Packing Co.</p>	<p>Sulzberger & Sons starts slaughtering plant at Chicago.</p> <p>Sulzberger & Sons increases stock to \$10,000,000. Organize Sulzberger & Sons Beef & Provision Co. to operate all properties in Missouri, capital \$10,000.</p>	<p>2 slaughtering plants; 4 produce houses.</p> <p>13 slaughtering plants; 3 fertilizer plants; 2 rendering plants; 1 tanning plant; 4 cotton oil mills; 2 produce houses.</p>
1902	<p>Armour, Swift, and Morris jointly borrow \$15,000,000 from Kuhn, Loeb & Co., James Stillman, and E. H. Harriman to finance purchases of plants to be turned over to the National Packing Co. Armour, Swift and Morris secretly acquire joint control of four cotton oil mills in Texas, a fifth (Temple Oil Mill) being secured somewhat later (prior to 1905). United States Circuit Court issues injunction restraining packers from collective action. Veeder Pool dissolved. Movement to consolidate all principal packers in one large corporation attempt made to borrow \$20,000,000 cash to finance merger. Abandoned because bankers fore-saw "panic of 1903."</p>					

Progress of the packers, 1857-1917—Continued.

Year	Gr	It	
			Big Five—summa- ry of plants, et- cetera, and built during year.
			1 stock yards; 3 slaughter plants; 2 packing houses, 1 packers' machinery plant.
			1 slaughtering plant; 1 fertilizer plant; 1 soap works.
(London), a selling company.			Swift & Co. capitalizat- ed \$35,000,000, and \$5,000,000 Co. is aban- doned by John P. Swift and his capital reduced to Swift fami- ly. Swift has control of McNeill & Rescortres & Packing Co. to be used as,
houses of Armour & Co. of Illinois. Ar- mour & Co. now op- erates soap works.			

(2)	Armour, Swift, and others purchase large tracts in Kansas City, Mo., and Kansas City, Kans., and a partially completed bridge across the Missouri River. The Clay County lands are held in name of North Kansas City Development Co. Armour and Swift are providing private cars for fruit and dairy products	Armour car lines (N.J.) organized with \$100,000 capital; Continental Fruit Express purchased from Far Fruit Co. \$1,000,000 stock all held by Armour Car Lines. Armour Packing Co. (Ltd.) organized to market products in Louisiana. Armour Cured Meat & Felt Works and Armour Printing Works already in operation.	Swift & Co. have acquired H. C. Derby cago. Swift & Co. also are operating Swift Refrigerator Transportation Co. (Mo.), including "Ca Florida Fruit Transportation Line," "Dairy Dispatch," "German-American Refrigerator Line," also	Morris & Co. of New Jersey organized with \$100,000 stock to operate branch houses in certain States. Morris Packing Co. of Illinois has been formed to transport German man business of Morris & Co. Have secured control of St. Louis National Stockyards Co. Morris Car	Stock of St. Louis Dressed Beef & Provision Co. has increased from \$100,000 in 1891 to \$1,250,000. German American Provision Co. acquired by the National Packing Co.; also National Car Line Co. of New Jersey operating car lines formerly held by the absorbed companies. Has acquired Anglo-American Refrigerator Car Co. (Ill.) formerly an independent company National Packing Co. Interests are chief bondholders of International Packing Co. (see 1898, General events).	Schwartzschild & Sulzberger, Chicago, Kansas City, a manufacturing company, controlled by Schwartzschild & Sulzberger is operating by The Leckawanna Live Stock Co., a car line with a capital of \$500,000 has been acquired.	Cudahy Car Lines (not separately incorporated). Including Cudahy Refrigerator Line and Cudahy Oil Tank Line, operates private cars of Cudahy Packing Co.	1 stockyards; 3 slaughtering plants; 1 glue works; 1 curd hair works; 1 printing works; 9 car lines.
1905	Industry United States grand jury returns indictments against Armour, Swift, and other in-	Armour personally secures stock bonus of \$6,200,000 common stock of Central Leather Co. Armour & Co. buys stock of Eastern Leather Co., a selling company. Armour Fertilizer Works builds a plant at Jacksonville, Fla.	Swift & Co. now has slaughtering plant W. F. Priebe Co., produce company, Chicago, is organized and Swift & Co.	Morris & Co. builds or acquires slaughtering plant at Kansas City.	National Packing Co. acquires Milwaukee Stockyards Co., North American Provision Co., Hamilton Stockyards Co. (Ltd.) (Canada), Plantington Packing Co. (Milwaukee), Denver Union Stock-			3 stockyards; 6 slaughtering plants; 1 cotton oil refinery; 1 soap works; 5 produce houses; 1 fertilizer works.

One plant apparently engaged only in meat packing.

Prior to 1905.

SECRET

SECRET

SECRET

SECRET

Progress of the purchase, 1937-1937—Continued

Name	Merits.	National Packing Co.	W. L. ...
Swift & Co. organizes "Companie Swift de la Plata," which has a slaughtering plant at Buenos Aires, Argentina, for purchase of meat, including meat of ... National Cattle Co., tanning ...	London, now in operation.	Northern ...	...
Griffin & Co. (Ld.), is purchased and the company is merged with Swift Corporation ...	Holder in Denver Cattle Loan Co.	National Packing ...	...
...
...
...

Swift & Co. organ-
izes A. C. Lawrence
Leather Co. of Chi-
cago, a selling con-
cern of the same
name as the tanning

more, is secured.
Also a 50 per cent

business. The fol-
lowing slaughtering

The National
Packing Co.
is dissolved
and turns its
properties
over to Ar-
mour, Swift,
and Morris.

The South Dakota
Provision Co., op-
erating a slaugh-
tering plant at

2 stockyards; 3
slaughtering
plants, 8 fertilizer
plants, 1 glue fac-
tory, 1 sporting
goods plant; 1 oil
mill; 10 produce
houses, 1 coal-min-
ing company

Progress of the packers, 1857-1917-Continued.

Year	General events.	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons).	Cudahy.	Big Five-summary of plants, etc., acquired and built during year.
1857		Philip D. Armour moves from Milwaukee to Chicago, accompanied by Michael Cudahy, superintendent of the plankinton & Armour plant at Milwaukee, to act as superintendent of Chicago plant.	Gustavus F. Swift comes to Chicago from Buffalo, N. Y., as cattle dealer.					
1876			Swift & Barnes begin shipping refrigerator beef to Boston.					
1877		Michael Cudahy becomes a partner in Armour & Co. begins manufacture of oleomargarine.	Swift has already formed several partnerships. Builds a slaughtering plant at Chicago.					1 slaughtering plant.
1880	Kansas City develops importance as packing center.							
1884	Union Stockyards Co. of Omaha organized; capital \$1,000,000.	Armour & Co. engage in the glue business. establish first branch house in Albany, N. Y.						1 glue works.
1886	Geo. H. Hammond & Co., of Detroit, begins slaughtering of cattle at Omaha. Kansas City Refrigerator Co. organized by the Fowlers. Anglo-American Provision Co. builds plant at Chicago formation of first highway route between St. Louis and Chicago.		Swift & Co. (Ill.) incorporated with \$300,000 capital.					

Progress of the packers, 1857-1917—Continued.

Year	General events.	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons)	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
1891	\$4,000,000; bonds, \$1,500,000. Senate committee files unanimous report that combination of meat packers exists for purpose of fixing meat prices and controlling shipments.		gamised with				ing Co. and organizes Cudahy Packing Co. (Ill.). capital, \$3,000,000.	
1892	Chicago Stockyards taken over by New Jersey holding company. contract made to give Armour, Swift, and Morris a bonus of \$1,000,000 in 5 per cent bonds for keeping their plants at Chicago for 15 years. Louis Dresser Beef & Provision Co. organized with capital of \$100,000.	Armour & Co. receives stockyard bonus from stockyards company for location.	Swift & Co. begins having hides tanned for it on contract, shipping 10,000 hides for this purpose.				Cudahy Packing Co. builds plant at Los Angeles.	2 slaughtering plants. contract tanning begun.
1893	Provision Dealers Dispatch organized, with capital stock of \$200,000.	branch houses eventually acquired by Armour & Co.	Swift & Co. increases in New York	Fairbank Canning Co. receives land bonus from St. Louis National Stockyards, East St. Louis latter increases its stock from 91,700,000 to 94,000,000, of		Sulzberger & Sons now have a capital stock of 16,000,000 and a slaughtering plant at Kansas City	Builds plant at Sioux City, receiving stock bonus of \$200,000 from the stockyard.	1 stockyards. 4 slaughtering plants. 1 meat-canning plant.
1895	"Veeder pool" for com-							

1894	<p>H. Hammond Packing Co., Morris & Co., Swift & Co.) allowed to lapse during 1896-97.</p> <p>The Western Meat Co. incorporated, with Swift and Morris interests the principal stockholders, the company being organized from South San Francisco Land & Improvement Co., which was incorporated in 1891. Sioux City Stockyards Co. organized, with \$3,000,000 stock, half common, half preferred. Continental Packing Co., capital, \$500,000, builds hog packing plant at Chicago. The four other than Swift now have 211 branches, having acquired 77 in 2 years, 1893 and 1894.</p>	<p>the 12,500 shares of the yards company before this increase, the Morris and Al-mertons voted 6,672, and the Swifts and their associates 3,802 shares.</p>	1 slaughtering plant.
1896	<p>Boston Packing & Provision Co. organized: capital, \$250,000. International Packing Co. organized, to take over an unsuccessful company formed in 1892; plant at Chicago. United Dressed Beef Co. incorporated to slaughter in New York City.</p>	<p>Swift organizes St. Joseph Stockyards Co.; capital, \$500,000.</p> <p>St. Louis National Stockyards increases capital to \$4,000,000.</p>	1 stockyards.
1897	<p>"Veeder Statistical Bureau" performs functions of pool, except that it has no</p>	<p>Swift & Co. about this time acquires a produce house at Trenton, Mo., and one at</p> <p>Morris & Co. receives land and \$200,000 for locating a plant</p>	2 produce houses.

Progress of the packers, 1857-1917—Continued.

Year.	General events	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons).	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
1906	Primitive power to refrigerate herds who overstep or under-sell Hammond Packing Co. (Ill.) organized with slaughtering plant at St. Joseph, Mo., \$1,700,000 Second "Veal Pool" established, including Schwarzschild & Sulzberger, on more elaborate scale than before Auditors employed to check packers' statements. Branch houses acquired by the Four, excluding Swift, have now reached 129. Bringing in 193 branch houses previously acquired by Swift & Co. and 22 opened this year by the other Four, the total of branch houses is 344.	Armour & Co. contracts to build plant at Omaha in return for land and stock bonus from the yards company.	Chillicothe, Mo. Swift & Co. establishes plant at St. Paul, receiving bonus of \$1,000,000 stock in the yards company. A stock increased by	at St. Joseph. Yards company's stock raised by \$750,000 Puts up slaughtering plant at St. Joseph, in return for the stock and land bonus from the stock-yards company. Has already entered into contracts for having hides tanned on commission.				3 slaughtering plants, more tanning on contract.
1908		Purchase stock in Rathborne Hair & Ridgway Co., box-board manufacturers, Chicago.	Germany. Swift & Co. increases			Sulzberger & Sons Beef Co. of Ohio organized to operate branch houses.		1 produce house; 1 box-board plant.
1909		Armour & Co. (Ill.), obtained from Armour & Co. report—	increases stock to \$1,500,000. Swift & Co. by this time has slaughtering plant at Jersey City, N. J. Acquires produce houses about this time at Muskegon, Kans., and Medals, Mo.	St. Louis National Stock Yards increases capital to \$5,000,000.			Cudahy Packing Co. builds plant at Kansas City, receiving \$500,000 cash and land valued at \$170,000. Capital stock increased to \$7,000,000.	3 slaughtering plants; 2 produce houses.

1901	P. D. Armour dies....	only owned by another branch of Armour family. Armour & Co. acquires \$3,000,000 stock in St. Louis National Stock Yards Co., and receives bonus of 20 acres of land also 124 acres and 4,000 shares stock bonus from Sioux City Stock Yards Co. for lot at line there. Stock of Hyde Wheeler Co., Boston (meat selling), bought by Armour & Co.	Swift & Co. acquires four produce houses about this time. Incorporates Swift	...	Rulsberger & Sons starts slaughtering plant at Chicago.	2 slaughtering plants, 4 produce houses.	
1902	Armour, Swift, and Morris jointly begin new \$1,000,000 from Kuhn, Lamb & Co., James' Steamboat Co., H. Harman to finance four lines of plants to be turned over to the National Packing Co. Armour, Swift and Morris served as joint control of four cotton oil mills in Texas, with Tompkins & Co. Mills being sold some what later (prior to 1911) United States Circuit Court orders injunction from restraint of business from sold at a Court. Wheeler Published-Solved Movement to establish late all upon the, papers in one late corporation attempt to make to borrow \$1,000,000 cash to in the merger. Abandoned because business fore- new "partner of 1911."	Armour & Co. builds plant at Fort Worth as bonus acquires \$250,000 stock and	Swift & Co. builds slaughtering plant at Fort Worth, receiving bonus from stock yards company also has slaughtering plant at New York City. Swift Fertilizer Works operate fer-	Morris acquires United Dressed Beef Co. for the National Packing Co.	Properties being bought by Armour, Swift, and Morris individually from National Packing Co., capital \$15,000,000 National Packing Co. acquires Fowler Packing Association, Friedman Manufacturing Co., Hammond Co., American Provision Co., Hammond Packing Co., Fowler Bros. (Ltd.), Fowler Canadian Co. (Ltd.), United Dressed Beef Co., Ruggly Bros., St. Louis Dressed Beef & Provision Co., Starvant & Haler, Stock Yards Warehouse Co., Omaha Packing Co.	Rulsberger & Sons increases stock to \$10,000,000. Organize B.N.L. Berger & Sons Beef & Provision Co. to operate all properties in Missouri, capital \$10,000	13 slaughtering plants, 2 fertilizer plants, 2 rendering plants, 1 tanning plant, 4 cotton oil mills, 2 produce houses.

Progress of the packers, 1857-1917—Continued

General events	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons).	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
1917 Pittsburgh Union Steel works opens for business. Temporary injunction restraining packers from collective action made permanent by United States Supreme Court. Governor F. Swift dies.	Armour & Co. builds a slaughtering plant at East St. Louis, receives a cash bonus of \$245,000 from the stockyards company. Buys stock in Fort Worth Stockyards National Bank, acquires half of stock of Southwestern Mechanical (packers' machinery). Swift & Co. acquiring the other half. Incorporates Armour & Co. (Ltd.) (London), a selling company.	Association, with plant at Kansas City for the National. Along with all this Swift & Co. raises its stock to \$25,000,000. Ita. About this time Swift interests acquire from Credit	\$3,136 hides tanned under contract for Morris & Co. in this year.	National Packing Co. incorporated. Acquires Continental Packing Co.	Schwarzschild & Sulzberger B. of Co. of Alabama, selling company operating branch houses. Incorporated, capital \$5,000.	.....	1 stock yards, 3 slaughter plant, 2 packing houses, 1 packers' machinery plant.
1904 Resolution adopted by House of Representatives directing Bureau of Commerce to investigate meat industry	Armour & Co. builds plant at Sioux City.	Swift & Co. raises its stock to \$25,000,000. Swift family by this time has complete control of Abbey, McNeill & Libby. Resurrection of North Packing & Provision Co. have been bought to establish	Morris & Co. receives real estate and \$575,000 bonus in connection with plant at Kansas City.	Provision Dealers Dispatch now appears to be affiliated with National Packing Co. and operates among other services the "Atlantic Dairy Express."	Schwarzschild & Sulzberger Co. of Newark, N. J., capital \$100,000; operates branch houses.	.....	1 slaughtering plant; 1 fertilizer plant, 1 soap works.

<p>(1) Armour, Swift, and others put have large tracts in Kansas (Clay, Mo., and Kansas City, Kans., and a partially owned strip of ridge across the Missouri River. The Clay County lands are held in name of North Kansas City Development Co. Armour and Swift are providing private care for fruit and dairy products.</p>	<p>Armour car lines (N J) organized with \$100,000 capital. Continental Fruit Express purchased from Fruit Co. \$1,000,000 stock all held by Armour Car Lines. Armour Packing Co. (Ltd) organized to market products in Louisiana. Armour Cured Meat & Felt Works and Armour Printing Works already in operation.</p>	<p>Swift & Co. have acquired H. C. Derby Co., a selling organization. New Jersey organized with \$100,000 stock to operate branch houses in various States. Morris Packing Co. of Illinois has been formed to transact meat business of Morris & Co. Have secured control of St. Louis National Stockyards Co. Morris Car Lines not served.</p>	<p>Stock of St. Louis Dressing Beef & Provision Co. has increased from \$100,000 to \$1,000,000. German American Provision Co. acquired by the National Packing Co.; also National Car Line Co. of New Jersey operating car lines formerly held by the absorbed companies. Has acquired American Refrigerator Car Co. (Ill.) formerly an independent company. National Packing Co. Interests are chief bondholders of International Packing Co. (see 1936, General events).</p>	<p>Schwartz and A. Rydberg Co., Kansas City, a manufacturing company, controlled by Schwartz and A. Rydberg Co. operating by The Lankwanna Live Stock Co., a capital of \$1,000,000 has been acquired.</p>	<p>Cudahy Car Line in corporate in incorporated including Cudahy Refrigerator Line and Cudahy Oil Tank Line. Cudahy Car Line operates private cars of Cudahy Packing Co.</p>	<p>1 stockyards; 1 slaughtering plant; 1 cured meat works; 1 hair works; 1 printing works; 1 car lines.</p>
<p>1936 Western Packing & Provision Co. organized to do a slaughtering business by the butchers of Chicago in order to fight the combination of the Bureau of Corporations reports on its investigation of beef industry. United States grand jury returns indictment against Armour, Swift, and other in-</p>	<p>Armour personally secures stock bonus of \$6,250,000 common stock of Central Leather Co. Armour & Co. buys stock of Eastern Leather Co., a selling company. Armour Fertilizer Works builds a plant at Jacksonville, Fla.</p>	<p>Swift & Co. now has Great Britain.</p>	<p>Morris & Co. builds or acquires slaughter plant at Kansas City.</p>	<p>National Packing Co. acquires Milwaukee Stockyards Co., North American Provision Co., Hamilton Stockyards Co., (Id.) (Canada), Plantation Packing Co. (Milwaukee), Denver Union Stock-</p>	<p>3 stockyards, 3 slaughtering plants, 1 cotton oil refinery, 1 soap works, 5 produce houses, 1 fertilizer works.</p>	

One plant apparently engaged only in meat packing.

Prior to 1936.

Progress of the packers, 1857-1917—Continued.

General events	Armour.	Swift.	Morris	National Packing Co.	Wilson	Big Five—summa- ry of plants, etc., acquired and built during year.
Individuals and corporations.						
Individual packers given immunity from prosecution by United States Circuit Court on grounds that information secured in Garfield investigation was used by Department of Justice in securing indictments, and that it constituted compulsion of witnesses to testify against themselves.	Armour & Co. secretly purchase stock of Armstrong Packing Co., Dallas, Tex., also Dallas Union Stockyards. Acquires interest in Denver Stockyards Bank, engaged in banking and cattle loans. Now has fertilizer plants at Buena Vista, Va., and at Augusta, Ga.	Swift & Co. acquires		yards, Colorado Packing & Provision Co. (60 per cent), Western Packing Co. (60 per cent), 90 per cent of stock of Smith Bros. Packing Co. acquired by National Packing Co. Remaining 40 per cent of Colorado Packing & Provision Co. also acquired, 75 per cent of Union Rendering Co. also acquired by the National and all of the Northwestern Glue Co.	ing Co. receives bonus of one-sixth of capital stock of Wichita Union Stockyards Co. to locate plant there	stockyards, 1 slaughtering plant, 3 fertilizer works, 1 rendering plant, 4 tanneries; 1 glue works.
Armour, Swift, and Morris jointly acquire twelve additional cattle-rendering mills in Tennessee and Arkansas.	Armour representative becomes president of Omaha Meat Yards.			The National Packing Co. through Frederick Joseph of Richmond, child of Hildegarde, begins to work the New at the New	Cudahy builds at Wichita 1 rendering plant, 7 cotton oil mills, 1 cotton oil refinery, phosphate rock processing	2 slaughtering plants, 1 rendering plant, 7 cotton oil mills, 1 cotton oil refinery, phosphate rock processing

(Continued for it was removed from the file about 1917)

1908	<p>The five by now have acquired 287 branch houses</p> <p>Armour & Co. purchases the stock of Badger State Tanning Co. and enters the leather tanning business.</p>	<p>1906 to 1907 Swift & Co. tanned for itself 809,543 hides. The Northern Rendering Co. is also acquired by Swift & Co. A cotton oil refinery is owned at Charlotte, N. C., and phosphates up to \$2,000,000. Demsey & Sibley Co., Cuba, N. Y., chrome jobbers, organized by Swift.</p>	<p>In five years from 1904 to 1908 Morris & Co. had 374,180 hides tanned for it on commission, but in 1908 acquisition</p>	<p>York Butchers Processed Meat Co., a corporation organized by the butchers of that city to protect them against the combination.</p>	<p>The rendering company, John Reedon & Sons, Cambridge, Mass., has been acquired by Schwarzschild & Sulzbacher by 1908</p>	<p>1 rendering plant. 2 tanneries.</p>
1909	<p>Portland Union Stockyards (Oregon) open for business. Swift, Armour, and Morris are shareholders.</p>	<p>Armour Fertilizer Works, incorporated in New Jersey in this year, operates</p>	<p>Swift & Co. values its holdings in St. Joseph Stockyards Co. at \$1,000,000. J. & C. Crittenden Co., a selling company, is</p>	<p>tan 70,000 hides. Company builds a slaughter plant at Olathe, Kansas City. Morris & Co. is by this time a mil-</p>	<p>National Packing Co. acquires remaining 40 per cent of stock of Western Packing Co. Acquires "La Blanca," an Argentine slaughter company with plant at Buenos Aires. This is the most significant item in the packers' program.</p>	<p>1 stockyards. 2</p>

Progress of the packers, 1857-1917--Continued.

Big Five--summary of plants, etc., ac- quired and built during year.	1 slaughtering plant; 1 fertilizer plant; 1 rendering plant; 1 tannery; 4 produce houses; 1 coal mining com- pany; 2 cannelling plants.	4 slaughtering plants; 4 fertilizer plants, 1 render- ing plant 2 cotton oil mills 1 cotton oil refinery, 1 can- ning plant.
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Swift & Co. organizes A. C. Lawrence Leather Co. of Chicago, a selling concern of the same name as the tanning

Stock of Atlantic Petroleum Co., Baltimore, is secured. Also a 50 per cent

man, N. C.
The Australian Meat

Co., and establishes a built-preserving station at Frankfort, Mich. Armour acquires secret interest in Chicago Stockyards Co. of Maine, later transferred to Armour & Co., but appearing on the latter's books only as "J. O. Armour No. 4."

Armour & Co. takes over the "Powder

controlling Chicago yards, and to absorb its surplus. Armour and presumably Swift and Morris are interested (see p. 10). Criminal trial of individual packers begins. First "International Meat Pool" formed by American packers in combination with certain British and South American firms.

Criminal trial of individual packers ends in acquittal. Trial in case of Missouri. Hammond Packing Co. et al begun in State court. Found guilty. Verdict sustained by United States Supreme Court. There have been 1,110 branch houses acquired up to this year, including those turned over on the dissolution of the National Packing Co.

1912

Morris & Co. acquire a slat-

The National Packing Co. is dissolved and turns its properties over to Armour, Swift, and Morris.

The South Dakota Provision Co., operating a slaugh-

2 stockyards; 2 slaughtering plants; 8 fertilizer plants; 1 glue factory; 1 sporting goods plant; 1 oil mill in produce houses; 1 coal-mining company.

Progress of the packers, 1857-1917—Continued.

General events.	Armour.	Swift.	Morris.	National Packing Co.	which makes sporting goods, is acquired.	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
	Dressed Meat Co.	waukee Stockyards transferred from the same company.					
	England. A fertilizer mixing plant at						
	Ohio. The fertilizer works build plant						

at Chrome, N. J.
The Farmers Co-
operative Fertilizer
Co., a subsidiary of
the Armour Fertil-
izer Works, N. J.,
operates plants at

the East St. Louis
Cotton Oil Mill. Ar-
mour & Co. incor-
porates the Acme
Products Co., Port

1913 'P

Litritter & Co., a
slaughtering com-
pany at Newark;

Newark stockyards
Co. is taken over in
the same way. Six
produce houses are
acquired.

and Havana, Cuba.

Morris & Co. has
just had a bid ex-
tended for it un-
der contract be-
tween the years
1900 and 1913.
Acquires Joseph
Fleming & Sons
(Inc.) of New
York City.
"Kosher"

been purchased

Central Rendering
Corporation.

3 stockyards; 5
slaughtering
plants, 3 fertilizer
plants; 2 render-

The Pittsburgh Union Stockyards Co. and the Pittsburgh Provision & Packing Co. are controlled by Armour & Co. and the Allerton family.

Progress of the packers, 1857-1917—Continued.

Year.	General events.	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sulzberger & Sons).	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
1914	legislative, and litigation matters." Edward Morris dies.	The Hope Fertilizer Kansas City, and Fort Worth. Armour & Co. purchased stock of J. K. Mosser Co., a tannery.	Swift has an oil mill at Fort Worth. By this time the important produce house of W. F. Priole Co. has purchased.	by Edward Morris, personally in 1916. Morris interest acquires 50 per cent of stock in Stock Yards Serum Co., of Kansas City, manufacturer of anti-cholera serum; acquires in-			Cudahy Packing Co. is operating cotton oil refinery at Memphis; also at Kansas City and Omaha.	2 slaughtering plants; 10 fertilizer plants; 13 tanneries; 1 cotton oil mill; 3 cotton oil refineries; 1 creamery; 1 produce house; 1 salt mine.

1915	<p>Negotiations between Sulzberger and Swifts for Armour, Swift and Morris to acquire Sulzberger's, and it will be properties on same basis as National Packing Co., not completed because the New York bankers acquired control of company (see Wilson & Co.). State of Texas prosecutes Armour & Co., Swift & Co., and Morris & Co. for combination and conspiracy in joint operation of cotton oil mills. Found guilty, fined, and enjoined from joint operation. James Agar tries to secure control of Western Packing & Provision Co. for big packers. Ferdinand Sulzberger dies.</p> <p>Negotiations by New York bankers for merger of Sulzberger & Sons Co. with Morris & Co. These abandoned about time of intro-</p>	<p>Chemical Co.).</p> <p>Armour & Co. Incorporated as Key Stone Hotel Supply Co., office at Philadelphia, Atlantic Hotel Supply Co., of New York City. Columbia Hotel Supply Co., of Washington, D. C., 51 per cent of Lowelllyn Bean Co. acquired.</p>	<p>owning half and Armour & Co. half.</p> <p>Swift & Co. acquires a cotton oil mill at Augusta, Ga. Swift has control (Morris also interested) of the Hen-</p>	<p>Morris & Co. buys part of the capital stock of Ames Bird Co., egg jobbers</p>	<p>The Dow Cheese Co. is acquired by Cudahy Packing Co., as is Eagle Packing Co., a slaughtering company of Jersey City, N. J.</p>	<p>3 slaughtering plants; 1 fertilizer plant; 3 cotton oil mills; 1 cannery; 1 butterfat factory.</p>
1916	<p>These also abandoned.</p> <p>This total does not include the 3 fertilizer works (connected with packing plants) which, though established at earlier dates, are mentioned in this year in the Swift column.</p>	<p>Armour is to receive</p>	<p>ing cotton oil re-</p>	<p>Cudahy Packing Co. locates a plant at Salt Lake City after receiving a cash bonus of approximately \$125,000 from the citizens and \$35,000 stock from the stock yards company there.</p>	<p>3 stock yards; 4 slaughtering plants; 1 fertilizer plant; 4 tanneries; 2 cotton oil mills; 4 cotton oil refineries; 3 cannery plants; 2 creameries; 2 produce houses.</p>	

Progress of the packers, 1857-1917—Continued.

General events.	Armour.	Swift.	Morris.	National Packing Co.	Wilson (formerly Schwartzchild Sulzberger & Sons).	Cudahy.	Big Five—summary of plants, etc., acquired and built during year.
<p>done. Joint fund of \$1,000 raised by packers to prevent passage of resolution for investigation</p>	<p>a bonus of \$1,000,000, \$100,000 in cash and</p> <p>Stock of the St. Paul Stockyards National Bank and the St. Paul Cattle Loan Co. is acquired. Large amounts of</p> <p>and the Wilson in Dairy Products Co</p>				<p>located at Chicago and Chattanooga and take over the Southwest Cattle Loan Co. at Los Angeles.</p>		

By order of the committee the following documents are ordered printed and made a part of this record:

[United States Food Administration. No. 1386. Washington, D. C., Feb. 10, 1919.]

The President has directed the publication of a confidential report made to himself by Herbert Hoover, United States Food Administrator, six months ago in order to establish the real position of Hoover and the Food Administration on the control of the Chicago packing industries. In this report Mr. Hoover again reiterated his former advice of the national danger from this growing domination of the Nation's food, and strongly recommended constructive legislation at the hands of Congress, rather than the doubtful stretch of temporary war power of the Government, as being the only method by which a permanent solution can be obtained.

The report follows:

SEPTEMBER 11, 1918.

DEAR MR. PRESIDENT: In response to your request, I beg to set out my observations on the recommendations of the Federal Trade Commission with regard to the five large packing firms.

I scarcely need to repeat the views that I expressed to you nearly a year ago that there is here a growing and dangerous domination of the handling of the Nation's foodstuffs.

I do not feel that appreciation of this domination of necessity implies wrongdoing on the part of the proprietors, but is the natural outgrowth of various factors which need correction. In an objective understanding of this situation it is necessary to review the underlying economics of its growth.

At one time our food animals were wholly slaughtered and distributed locally. The ingenious turning to account of the by-products from slaughtering, when dealt with on a large scale, gave the foundation for consolidation of slaughtering in the larger centers. From this grew the necessity for special cars for livestock transport and the large stockyards at terminals. The creation of those facilities were largely stimulated and to a considerable extent owned by the packers. Added to this was the application of refrigeration processes for the preservation of meat, which at once extended the period of preservation and the radius of distribution from the slaughter centers, enabled larger slaughtering nearer the great Western producing area, and further contributed to the centralization of the industry. This enlarged scope, particularly the refrigeration operations, require not only the expensive primary equipment, but a network of refrigerator cars, icing stations, and cold storage at distribution points. This special car service in products is of the nature of the Pullman service; it must traverse railroad lines independent of ownership, and, moreover, it is seasonal and varies regionally in different seasons. For each railway to have foreseen and to have provided sufficient of this highly specialized equipment is asking the impossible, and, in any event, no particular railway could be expected to provide sufficient of these cars to answer the shifting of seasonal and regional demands outside its own lines.

Thus, the provision of a large part of the stockyards and car services has naturally fallen in considerable degree to the larger and more wealthy packers who have used their advantages as in effect a special and largely exclusive railway privilege with which to build up their own business.

From the stage of establishment of a multiplicity of marketing facilities, such as cold storage, warehouses, branch offices, etc., grew direct dealings with retail dealers and finally resulted in a large elimination of the wholesale traders.

Through this practical railway privilege, the numerous branch establishments, the elimination of wholesale intermediaries, and with large banking alliances, this group have found themselves in position, not only to dominate the distribution of interstate animal products, but to successfully invade many other lines of food and other commodity preparation and distribution. Their excellence of organization, the standing of their brands, and control of facilities now threaten even further inroads against independent manufacturers and wholesalers of other food products. They now vend scores of different articles, and this constantly increasing list now approaches a dominating proportion of the interstate business in several different food lines.

It is a matter of great contention as to whether these five firms compete amongst themselves, and the records of our courts and public bodies are monuments to this contention.

the present insufficient standardization of our food products, and this would contribute to strengthen the independent manufacturer.

In summation, I believe that the ultimate solution of this problem is to be obtained by assuring equal opportunity in transportation, equal opportunity in the location of manufacturing sites and of terminal sites, and the limitation of the activities of these businesses. In this situation I believe that the 50 minor meat-packing establishments and the hundreds of other food preservers could successfully expand their interstate activities, and that local slaughter would increase with economic gain to the community, and all through continued competition constantly improve our manufacturing and distributing processes to the advantage of both producer and consumer. The detailed methods, except in the manifest case of car and stockyard control, require much more thought.

The activity of the Food Administration is necessarily founded on securing the largest service and the least disruption and danger to distribution during this period of national strain. To take such a radical step as to seize the packers' branch houses for the war, would effect no permanent values and would surely disrupt distribution at this time. The packers are to-day performing their economic duties of preserving and distributing the meat supplies to our own population and the allies, as distinguished from the social results of their organization, and the only outstanding question from a purely win-the-war point of view is whether the packers are to-day imposing upon their competitors and whether their remuneration is exorbitant. These are matters which can be remedied during the war by regulation and taxation.

I would, in any event, separate the whole problem into a question as to what should be done as a war emergency and what should be done as a permanent solution of the whole question. I do not feel that the Government should undertake the solution of the problem by the temporary authority conferred under the war powers of the Railway and Food Administrations, which must terminate with peace, but rather that it should be laid before Congress for searching consideration, exhaustive debate, and development of public opinion, just as has been necessary in the development of the public interest in our banks, insurance companies, and railways.

Yours, faithfully,

HERBERT HOOVER.

The PRESIDENT,
Washington, D. C.

FISHER, BOYDEN, KALES & BELL,
COUNSELLORS AND ATTORNEYS AT LAW,
Chicago, January 22, 1919.

Hon. T. W. SIMS,
Chairman Interstate Commerce Committee,
House of Representatives, Washington, D. C.

DEAR SIR: Toward the close of my discussion of the live-stock marketing situation on my first appearance before your committee, I was requested to present a concise statement of the kind of legislation I thought ought to be adopted and the reasons for it. I forgot this in sending back to you the revision of the stenographic report of the hearing yesterday, and I take the liberty of inclosing such a statement herewith. Will you kindly see that it is inserted in the proper place in the record.

I am reading with considerable interest the newspaper reports of Mr. Armour's statements before your committee. He does not seem to me to be meeting the real issue at all. I expect now to be in Washington early next week and I shall be glad to go over the entire case presented by the packers and discuss it before your committee, if you think that is desirable.

Sincerely, yours,

WALTER L. FISHER

[Added later.]

In answer to the request that I state in concise form my suggestions regarding this legislation and the need for it, I would state that I believe it is established beyond successful controversy that there exists in the meat-packing business in the United States no real competition sufficient either in character or degree to afford a sound, economic basis for the great fundamental industry of producing live stock and supplying its meats and other products to the community. Whether such competition can be secured may be seriously questioned.

but it must at least be attempted. The business is dominated by five large concerns which were once on the verge of actual consolidation, which are now interlocked through joint enterprises and a community of financial interests, and which had confessedly combined to restrict competition in the past. The Federal Trade Commission has expressly found that they are still in combination or cooperation for this purpose. Whether this be true or not it is clear that the competition which was once admittedly restricted have never been effectively restored. The records of the Federal Trade Commission are full of the most convincing evidence of a kind and amount of concerted action by the five big packers that is incompatible with the existence of the sort of genuine aggressive competition which alone can protect the producers of live stock and the consumers of the products derived from live stock, which alone can establish a free and open market into which new competitors may enter on fair and equal terms.

The effect of the war and the dealings of the Government with the large packers has been to recognize and increase the practical control of the market by the five large packers. Some attempt to regulate their business and limit their profits has been made by the Food Administration, but this has been very inadequate and even this will entirely cease with the formal declaration of peace. It is absolutely imperative that some constructive policy shall be adopted by the Federal Government and that appropriate legislation shall be passed. The advocates of such legislation do not propose to destroy the big packing concerns or to treat them unfairly. They do, however, regard it as essential for the public welfare that the big packers shall be deprived of the present undue advantage over competitors, producers, and consumers, which they derive from their ownership or control of transportation and marketing facilities. They do propose that genuine competition shall be established as far as and as fast as this can be done, and that while this is being attempted and until it is successfully accomplished the packers and the stockyards shall operate under license from the Federal Government, which license shall provide effective public regulation and control, including uniform accounting and publicity. Whether this result can be best accomplished under the Sims bill or the Kendrick bill is not the important question. It may be that a combination or a harmonizing of the two bills may be a better measure than either of them. What is essential is that there shall be legislation establishing a permanent policy to continue after the official close of the war and that this legislation shall in some appropriate manner accomplish the following objects:

1. The packing business should be divorced from the ownership or control of the agencies by which live stock and the products of live stock are transported and marketed.

2. These transportation and marketing facilities—the stock and refrigerated cars, the stockyards, and the refrigerated terminals—should be owned and operated as public utilities, free from packer control and open to all on fair and equal terms.

3. Both the packers and the stockyards should be placed under an effective licensing system which will assure adequate regulation and control.

POTTER FARMS, (INC.),
New York, February 20, 1919.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D. C.

DEAR SIR: I take the liberty of urging opposition to the bill for the acquisition and ownership by the United States of stockyards, cattle cars, cold-storage houses, branch market houses, and other facilities in connection with the packing industry.

As a citizen consumer and as a producer of agricultural products and live stock, I have made a fairly close study of the development and function of the packing industry and its relation to producers, consumers, and the country's prosperity. I have also had occasion to note the recent attitude of certain public officials toward these industries. It is absolutely clear to me that the hostile attitude on the part of certain officials toward the packers is not only unjust but most harmful to the public interest. The agitation regarding the packers, ending as it does to stir up discontent among many who really know nothing about what the packers are doing and are naturally influenced by public officials, is to my mind threatening a public disaster. I was shocked when I read in the public prints of the report of the Federal Trade Commission.

Progress of the packers, 1857-1917—Continued.

Big Five—summary of plants, etc., acquired and built during year.

1914	New International Meat Pool formed. Armour, Swift, Mor-	Port Worth. Armour & Co. purchases stock of J. K. Mosser Co., a tan-	Swift has an oil mill at Fort Worth. By this time the important produce	Morris interest acquire 50 per	.....	Bulberger & Sons begins operating slaughtering plant at Buenos Aires, Argentina, subsequently known as	Cudahy Packing Co. is operating cotton oil refinery at Memphis, also at Kansas City and Omaha.	2 slaughtering plants; 10 fertilizer plants; 13 tanneries; 1 cotton oil mill; 3 cotton oil refineries; 1 creamery; 1 produce house; 1 salt mine.
			Ga. Swift & Co. have for some years					
			son), N. J. Stock is acquired in the Jersey City Stockyards Co. Independent Salt Co. is organized, Swift & Co					

1915	Negotiations between Sulzberger and Swifts for Armour, Swift, and Morris to acquire Sulzberger Sons, and liquidate properties on same	Chemical Co.). Armour & Co. incorporate as Keystone	owning half and Armour & Co. half. Swift & Co. acquires a cotton oil mill at Augusta, Ga. Swift has control (Morris also inter-	Morris & Co. buys part of the capital stock of Amos Bird Co., egg jobbers	.....	The Continental Products Co. (see 1912) begins operation of slaughtering and freezing	The Dow Cheese Co. is acquired by Cudahy Packing Co., as is Nagle Packing Co., a slaughtering company of Jersey City, N. J.	2 slaughtering plants; 1 fertilizer plant; 8 cotton oil mills; 1 canning plant; 1 creamery, 1 butterline factory.
	Co. for combination and conspiracy in joint operation of cotton oil mills. Found guilty, fined, and enjoined from joint operation. James Agar tries to secure control of Western Packing & Provision Co. for big packers. Ferdinand Sulzberger dies.	Hotel Supply Co., of Washington, D. C. 51 per cent of Llewellyn Bean Co. acquired.	Cal.			trust as condition of financing maturing debentures.		
1916	Negotiations by New York bankers for merger of S. Sulzberger & Sons Co. with Morris & Co. These abandoned about time of introduction of resolutions in Congress to investigate packing industry, but renewed during fall. Also preliminary negotiations for merging of Sulzberger & Sons Co. with Cudahy Packing Co. These also abandoned.	Armour & Co. of Iowa	The Rotan Oil Co., operating a cotton oil plant at Rotan, Tex., is incorporated and Swift & Co. begins operating a cotton oil refinery	C. A. Straubel Co., cheese manufacturer at Green Bay, Wis., is acquired. Thomas F. Wilson resigns from Morris & Co. to become president of Sulzberger & Sons Co.	.....	The name of Sulzberger & Sons Co. is changed to Wilson & Co. (Inc.). The Connellsville (Pa.) Stockyards	Cudahy Packing Co. locates a plant at Salt Lake City after receiving a cash bonus of approximately \$125,000 from the citizens and \$25,000 stock from the stock yards company there.	3 stock yards; 4 slaughtering plants; 1 fertilizer plant; 6 tanneries; 2 cotton oil mills; 4 cotton oil refineries; 3 canning plants; 3 creameries; 2 produce houses.
		Minn., for which Armour is to receive	Mich. Swift & Co. acquires \$100,000 interest in Cleveland Union Stockyards Co.			ing cotton oil re-		

This total does not include the 8 fertilizer works (connected with packing plants) which, though established at earlier dates, are mentioned in this year in the Swift column.

Progress of the packers, 1857-1917—Continued.

Year	General events	Armour.	Swift.	Morris	National Packing Co.	Wilson (formerly Schwarzschild & Sulzberger and Sons).	Cudahy.	Big Five—summary of plants, etc. acquired and built during year.
	done). Joint fund of \$15,000 raised by packers to prevent passage of resolutions for investigation.	a bonus of \$1,000,000, \$400,000 in cash and \$600,000 in stock of the St. Paul Union				fineries at Chicago Anchorage.		
		Large amounts of stock in the Eau Claire Creamery Co., Eau Claire, Wis., and the Wisconsin Dairy Products Co.						

purchased. The
Lookout Oil & Re-
fining Co., operating

1917

A slaughtering plant
is being built at Sao
Paulo, Brazil, fol-



an oil mill in San
Antonio, Tex.), in-

acquired. An
interest is pur-
chased in the

duce dealers at
North Willa-
ton, Vt. Morris &
Co. also acquires
control of Bara-
tarie Canning

wholesalers of
packing-house
products. An
interest in Barry
& Knobel of

The Cudahy
Plant at Salt
Lake began
operation.
The Sunlight
Produce Co.,
Winfield,
Iowa, is incor-
porated, entire
capital stock
held by Cud-
ahy interests.

2 stockyards, 11
slaughtering
plants; 1 render-
ing plant; 1 tan-
nery; 2 cotton oil
mills, 1 cotton oil
refinery; 7 can-
ning plants; 7 pro-
duce houses; 1 coal
mining company;
2 cereal mills.

that there is a very lively outside competitive interest which with intelligent handling and the Government guidance and support which seems to be available, can take care of the situation very well. These industries can expand and increase in number without crippling the five large companies.

The packing industry is perhaps the most efficient industry in America to-day. It performs a function more vital to the people of the country as a whole than any other industry. It renders its service at a lower cost than any other industry in the world. An industry so vital and so efficient should be handled with extreme caution. This is not a time to experiment with undeveloped theories and in unknown fields. It is a time for courage, conservation, and good sense. Pass all the laws that are thought necessary to improve transportation, to prevent discrimination, to see that yards and terminal facilities are impartially handled, but do not interfere with the packers in the performance of their functions of buying, curing, and marketing meat. If need be, lend aid to others to go into the packing business and lend assistance to the small abattoirs throughout the country, as Mr. Hoover suggests. Increase the facilities available to the public in every possible way. If thought wise, let the Government buy refrigerator cars or compel the railroads to buy them, but do not take the packers' cars away from them until some plan indicating greater efficiency or use is set up and in operation. Retain all the packers can do and all their efficiency and encourage them to go on and make as many things as they can that are needed by mankind.

I happen to know the public benefits which the packers have conferred in Florida and Georgia in establishing and developing packing houses there, just as they have benefited the West. My agricultural and stock-raising interests are in eastern Tennessee and eastern North Carolina. We would welcome the packers there with open arms, and, if they could be induced to come in and we could have the benefit of their organization, their efficiency and knowledge, we would be glad to put up a lot of money to get them and would pledge the support and gratitude of every citizen.

Respectfully, yours,

MARK W. POTTER.

BRIEF SUBMITTED TO THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE AND SENATE COMMITTEES ON INTERSTATE AND FOREIGN COMMERCE AND AGRICULTURE BY THE FARMERS' NATIONAL COMMITTEE ON PACKING PLANTS AND ALLIED INDUSTRIES.

[C. H. Gustafson, president of the Nebraska Farmers' Union, chairman; Benjamin C. Marsh, executive secretary, 39 Bliss Building, Washington, D. C.]

This committee was organized for the specific purpose of making the four recommendations of the Federal Trade Commission for a dealing with the meat-packing industry the permanent policy of the country.

CONDITIONS REQUIRING SUCH ACTION.

The Federal Trade Commission in its investigation of the meat-packing industry has shown that the present system of preparing meat for human consumption is uneconomic from the point of view of the country as a whole. There are relatively few large packing plants in the country, most of them located at a great distance from the source of supplies, and an enormous waste is involved in transporting cattle hundreds of miles to be slaughtered and then shipping much of the finished product back to the territory of the producers. It is estimated that there is a shrinkage of 60 to 80 pounds of meat on a 1,200-pound steer in shipping from St. Paul to Chicago, a distance of about 400 miles. It is to the advantage of the five big packers, however, to concentrate their factories at a few points, and they have repeatedly refused to establish meat-packing plants where they were economically necessary, have never established an additional one until there was an overwhelming demand for it, and have even combined packing plants, as the case of the Fort Worth and Dallas plants and in other instances. The monopoly which the five big packers have acquired in the meat-packing industry through ownership of rolling stock and stockyards, refrigerator cars, branch houses, cold-storage plants, market-news services, etc., sought to be terminated by the pending legislation, has prevented independent competitors from establishing needed additional packing plants.

The Federal Trade Commission states that it believes that its four recommendations strike so adequately at the root of the tree of monopoly that they constitute an adequate and simple solution of the problem of the meat-packing industry. This problem in outline has been presented to you, but we cite the main points again, because we deem it essential to make clear our suggestions for amending the Sims-Kenyon bill so as to remedy the situation. The big five packers now slaughter 70 per cent of the animals slaughtered by packers engaged in interstate commerce and control 65 per cent of the interstate poultry and egg trade, 75 to 80 per cent of the cheese in Wisconsin (the chief cheese-producing State), handled last year more than 65 per cent of the poultry pack of the country, manufacture more than 60 per cent of the oleomargarine made in the United States, and went into the butter business to enable them to put the prices of oleomargarine higher than was otherwise possible. They have gone into the fish field and secured a strong hold on the canned-fish business. In one year, 1917, Armour & Co. became the second rice dealer in the world, and in the same year that company handled 25 per cent of the grain produced in the United States.

The big five packers control 665 companies and own a minority interest in 85 additional companies, a total of 750. They actually threaten as to their existence the canning and wholesale-grocery industry; and we concur in the opinion of the commission that these packers are fast on the road to getting a monopoly of the food supply of the Nation. These packers take up one new line of groceries after another, and through buying up a large part of the available supply, followed by a cut-price campaign, drive the other grocers out of those lines. As Mr. Stuart Chase, expert accountant of the Federal Trade Commission, testifies, the total profits, so far as ascertainable, of the "big five" companies was in 1912 \$18,715,000 and in 1917 \$95,639,000. Armour & Co. and Swift & Co. both admit the very large profits which they have made, but claim that they have legitimately reinvested their earnings in the company. Mr. Armour admits at Armour & Co. have put into their business in recent years 87.90 per cent of their profits.

The Federal Trade Commission has proved that there has been collusion between the five big packers in their purchases of live stock and hogs, and that they cooperated to beat down prices when they wished to do so. The statement of the packers that their profits are very small on their turnover is not relevant, because they have such a rapid turnover that the real return is enormous, as shown by their own published profits. Their effort to justify their profits by citing the war profits of the great profiteering companies during the war constitutes an indictment of themselves. Not only is it true that the packing-plant system is uneconomic, but the attempted, and well-nigh attained, domination of the packers, through their alliance with the money trust of the country, of the entire food supply of the country and related and unrelated industries of the country constitutes a menace which must be checked. It is in effect a conspiracy in restraint of free, competitive trade, based upon certain privileges.

On behalf of the leading farm organizations of the country we respectfully urge that the Congress enact at the present session a law making the recommendations of the Trade Commission the permanent policy of the country, and in order to do this we urge an amendment to the Sims bill to include regulation of commerce among the States for the purpose of providing adequate transportation, storage, and marketing facilities not only for live stock and for meats and other products derived from live stock and from the slaughter of live stock, but also for poultry, dairy, and other food products.

In our judgment the extent to which the five big packers have invaded other lines of business beside the meat-packing industry requires similar control over their other business in poultry, dairy, and other food produce. Under section 1, paragraph A, the President, or his designated agent, would be permitted to take over only the refrigerator cars which are equipped and used for the transportation of products derived in whole or in part from slaughtered live stock, which means that the Government would take over only the refrigerator cars which are equipped with racks, whereas a large percentage of the refrigerator cars owned by the Big Five packers are not so equipped, and under the present wording of the bill the Government can not take over the refrigerator cars owned by the packers, which are now used for the transportation of eggs, poultry, butter, cheese, canned goods, fruits, and vegetables. Our proposed amendment empowers the Government to furnish transportation for products other than meat and products thereof, both of the big packers and their competitors and anyone else, and puts all these producers on an even keel.

2414 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

We call to your attention that the Central Federated Union of Greater New York, the largest local labor union in the United States, and the New York Labor Party have indorsed the bill, while Government ownership of stockyards and terminal railways has been indorsed by the American Federation of Labor and the Chicago Federation of Labor.

CHICAGO, *January 22, 1919.*

Hon. THETUS W. SIMS,
Washington, D. C.

MY DEAR SIR: I inclose you copies of some correspondence that has passed between Mr. L. D. H. Weld, of the commercial research department, and myself, relative to the meat-packing system and its effects on both the producer and consumer.

Very respectfully.

A. W. GREEN.

SWIFT & Co.,
Chicago, August 21, 1918.

Mr. A. W. GREEN,
647 Postal Telegraph Building, Chicago, Ill.

DEAR MR. GREEN: I have received your letter of August 20 just as I am leaving town on an eastern trip.

Although the report of the Trade Commission looks rather damaging on its face, I feel that you have an exaggerated notion of the seriousness of the situation.

I am having sent to you a copy of the statement issued by Swift & Co. in reply to the charges by the Trade Commission.

Even if the recommendations of the commission should be carried out the result would not be particularly serious, except, perhaps, its recommendation that branch houses of the packers be taken over. This is wholly impracticable, and I do not believe that it will ever be done.

As to your suggestion that Swift & Co. get rid of its plants outside of Chicago, I can see no possible reason for our crippling our industry to that extent. We have thought somewhat of separating our leather business, glue business, soap business, etc., under separate corporations, but to cut off our packing plants would be a bad thing not only for Swift & Co. but for the country at large.

I have hopes that some day there will be big enough men in Washington who will come out and tell the truth about the packers and give the public the right point of view. The food riots that have caused trouble in other countries have been due to an actual lack of food products and poor methods of distribution; there is no such lack of meat products, and the machinery for distribution is well-nigh perfect. What we need is to have the public understand these things rather than to let it continue with its prejudice.

I shall hope to see you on my return from the East, and shall be glad to know what you think about our statement answering the charges of the Federal Trade Commission.

Cordially, yours,

L. D. H. WELD,
Manager, Commercial Research Department.

CHICAGO, *September 3, 1918.*

Mr. L. D. H. WELD,
*Commercial Research Department, Swift & Co.,
Union Stock Yards, Chicago, Ill.*

DEAR MR. WELD: I am in receipt of your letter of August 21 last, also the statement of Swift & Co., both of which I have read, and after careful consideration I submit the following reflections:

Do not Swift & Co. make a serious mistake in the severity of the criticism they have applied to the Federal Trade Commission? That body is but a servant of the people, and the people through the American National Live Stock Association, representing the producers of 21 States of this country, made an insistent demand on Congress for relief from the unsatisfactory conditions that existed in the live-stock industry of the country.

That memorial to Congress was embodied in a statement prepared at a meeting of the American National Live Stock Association, held at El Paso, Tex., on February 27 and 28, 1916, and read as follows:

"The packing interests of the country to-day are in control of practically all the stockyards at the market centers, exchange buildings, and all terminal facilities for the handling of stock.

"In a very large measure they are in control of the banks and cattle loan companies at these market centers.

"To-day a farmer ships his car of finished stock consigned to a commission man, who is found to rent his office from the packer, the buyer, and does his business with a packer-controlled bank. Under these conditions it is impossible for the seller to meet the buyer on equal terms. While the packer by his methods is impoverishing the producer, the cost of meats to the consumer is higher than ever before in the history of the country.

"The object of the association is to bring about such a condition as will give the producer a fair profit, and to once more raise the consumption of meats by the consumer to the level of five years ago, by reducing the cost to the consumer. The shrinkage of per capita consumption of meat during the past five years has been about 18 per cent."

The following resolutions were read and adopted.

"Whereas the big meat packers of the United States are largely in control of stockyards and the terminal facilities thereat, of the slaughter and distribution of cattle, sheep, hogs, and poultry, and the products thereof, including hides, tanneries, and the products thereof; many of the articles that are made from the horns and hoofs, including glue, buttons, combs, etc., cottonseed oil, mills, and refineries, the products of which are used in the manufacture of lard compounds, soap, and various oleo products; and

"Whereas they also control the price of fertilizers, with which the fertility of the farms of the Nation is maintained; and

"Whereas they largely own and control the refrigerator cars and icing facilities used in the transportation of fruits, vegetables, and other perishable products; and

"Whereas in many localities of production they control the price paid and the distribution of fresh and canned fruits, and are thus able to influence the effect of supply and demand, and to cause violent fluctuations in prices to the great detriment of the producer and without benefit to the consumer; and

"Whereas such control as recited above gives those possessing same a practical monopoly of the marketing of goods and other necessities of life, and is a menace to our country; therefore be it

Resolved, That the American National Live Stock Association does hereby petition the legislatures of the several States of the American Union and the National Congress to enact such laws as will correct the abuses complained of, to the end that relief will be afforded to the consumers and producers of the country, and we recommend that in the laws enacted it shall be provided that any violations of same shall be punished by imprisonment instead of the imposition of fines."

The matter was placed in the hands of the Federal Trade Commission for an investigation. It was not optional with it, but mandatory on it, to make a thorough investigation and make it so plain and complete that the public might see and understand it, and place the blame where it belongs.

Is it fair, then, to condemn the Federal Trade Commission for doing what it was authoritatively enjoined to do? And is it right to blame it for making a success of the work instead of a farcical failure, as previous governmental efforts had been?

As far as the methods adopted in the investigation are concerned, is it any wonder that the commission determined to avoid the former ridiculous procedure, whereby witnesses suddenly lost their memories, or where any enlightening testimony was subjected to strenuous objections, or wrangled over by opposing attorneys, with the result that nothing was accomplished except a disgusted public?

Is not the "Immunity Bath" decision in the packers' trial before the late Judge Humphrey in 1906 a farcical illustration of what is termed the regular method of procedure?

But for a real glaring illustration of the abuses in judicial procedure, the National Packing suit supplies the most startling developments in that line, from the burning of books when subpoenaed by a Federal grand jury, then changing the date of their destruction to accommodate the court necessities to avoid contempt proceedings, and crowned with three sworn statements of witnesses in that legal drama, alleging their employment in the procurement of perjured testimony to influence the case in favor of the packers.

It was about this time that so eminent an authority as Mr. Levy Mayer, of Chicago, in an address to the law school of the University of Chicago, is reported to have said: "The judicial proceedings in our courts of law are incomprehensible, indefensible, and unbearable."

If such is the situation in our courts, is it not a matter of public congratulation that the Federal Trade Commission and its legal advisor had the intelligence and the sagacity to profit by the experiences in former cases, and employ the necessary methods that would produce the facts and present them so clearly to the public as they have done?

The abuses complained of by the American National Live Stock Association, and investigated by the Federal Trade Commission, bear in mind, date back in their inception and practice more than 30 years. In the celebrated Lard case, which was brought to the attention of the directors of the board of trade in 1883, and which was in reality a contest between two Chicago packers, chemical investigation and laboratory research at that time was a noticeable feature, as it was 30 years afterward in the lavish advertisements of a certain packer, some months ago. Expert chemists from Boston, New York, and Chicago were employed on both sides of the case, and in the trial, which lasted several weeks, the directors of the Chicago Board of Trade were sufficiently disgusted regarding the methods applied to the manufacture of lard as to embody in their verdict the following:

"The board of directors, in view of the evidence submitted in this case, both on the part of the defendant and the prosecution, can not with due regard to their responsibilities to the public and to the member of the association, refrain from expressing the unqualified disapproval of, and censure for the remarkable methods of conducting the business of manufacturing lard, as developed in the evidence in this case."

This, bear in mind, is among the records of the Chicago Board of Trade in 1883, and I have before me some authentic records of the conditions that existed in 1898, at the time of the Spanish-American war, which are revealed in letters to me from a physician residing in Plymouth County, Mass., and dated in June, 1917, extracts of which read as follows:

"During the war with Spain I was in practice in Salem, Mass., and covered a good deal of territory in surrounding towns in Essex County, including taking care of the practice of other physicians when on their vacation.

"I treated a number of men returning from the war. Among them was a young man who had been invalided home. He was a member of a Massachusetts volunteer regiment and a fine, big, strapping fellow when he went away. He was invalided home before he went to Cuba. He came home a wasted skeleton of a man—nothing but skin and bones; stomach all out of shape, so that for weeks before I got him he could not digest simple food without pepsin. In fact, I recall that when he came to my office he brought with him a pint bottle partly filled with pepsin extract, which had been supplied by the Army hospital. He complained bitterly of foul canned meats and embalmed "fresh" meat. He said many of the men in camp were sufferers from similar sickness and that the soldiers blamed their sickness on the poor food. After the war he was under the care of some other physicians, and at the time I left Salem was only a poor wreck of what was once a fine, strong young man. Several other cases came under my care, all similar to this one, and all the men complained of meat that made them sick.

"Noted several articles in leading magazine eulogizing Armour, and it served to remind me of the sad condition of our young men returned from camps during the Spanish War. The public seems to forget easily."

Incidentally the writer of the above refers to the economic conditions in that part of the country, as follows:

"Almost no cattle are now raised in New England, because they must be sold at a loss. A fat farrow cow can not be sold here for above \$30 to \$35. Each year sees less dairies and less milk. One of the best equipped dairies hereabouts advises me it is barely paying expenses.

"I have endeavored to explain the situation to our Congressman of the sixteenth Massachusetts district and a member of the House Judiciary Committee, but from such letters as I have from him I judge Congress is groping in the dark."

Has the record of the Chicago packing houses' investigation during President Roosevelt's administration been forgotten? Did not the unhygienic and filthy methods of preparing and adulterating food in the big packing houses become a public scandal, and of such notoriety it was the subject of all manner of jests

and ridicule and sarcastic allusion, and created the necessity for more stringent pure food laws?

Here we have authentic records of the atrocious food products that were supplied by the packers to the people in 1883, to our soldiers in the Spanish-American War in 1898, and to the people between the years 1901 and 1909, or during President Roosevelt's administration. An appalling condition of affairs, that was injurious to the public health of the Nation and detrimental to the producing and commercial interests of the country.

Confronted with all these obviously serious conditions, Walter L. Fisher, former Secretary of the Interior, expressed himself as follows:

"The most amazing situation in the civilized world is the utter ignorance of the heads by inheritance of five of the Nation's greatest packing concerns of the economic principles underlying the industries they direct."

In the face of these flagrant facts, one is constrained to ask: Are the big packing corporations builders or destroyers? Are they great merchants or greedy profiteers? Are they patriots or aliens?

On the first page of Swift & Co.'s statement to the Federal Trade Commission I find the following: "Swift & Co. rejoices that through its long experience in the packing industry it has been able to develop such large and efficient packing units and Nation-wide and even international distributing organizations as to have been able to serve our armies abroad and the armies and civilian population of the allies during this period of war emergency."

I am sorry to see that Swift & Co. employ the word "rejoicing" to express their gratification. Rather should they not bow their heads in sorrow at the devastation that has been wrought to thousands of industries and producing interests in this country?

When Swift & Co. and Armour & Co. employed the rebate club over the eastern railroads in the early nineties, the stock-raising industries of the New England and the Middle States withered as does the growing corn of the Southwest under the scorching blasts from Death Valley, so that to-day, according to a statement of ex-Gov. Whitman, of New York, that State, which formerly had a stock of 5,000,000 sheep, has now less than 600,000 head—a serious loss in wool, as well as meat—and the same is true in proportional decrease in the number of meat cattle and hogs in that State. And similar conditions apply to all the Eastern and Middle States, a process that has taken place since the destructive market operations of the packing companies began. And, as far as feeding our soldiers and allies in this war is concerned, why do Swift & Co. assume all the credit for that work? Why not admit that it was an imperative duty devolving on them to perform, after the ruthless elimination of so many competitive packing industries and the curtailment of so much food production as this country has suffered since the packing companies began their aggressive system of country-wide and foreign acquisitions.

Moreover, why not concede some credit to the people in this country for their sacrifices, their economies and restrictions in their food requirements, to which they have so patriotically submitted in order to feed our soldiers and our allies in this world conflict?

Why leave it to the English press to recognize and publish this fact, as was recorded in one of the English papers only a few weeks ago, as follows:

"The tremendous reduction in American consumption which has secured supplies for the allies has been achieved by the organized exhortation of 20,000,000 householders of the United States. Next to raising their armies, this is the most memorable of all proofs of the intense earnest of the American people."

Regarding what Swift & Co. are pleased to designate as their international distributing organization, or, to use a plainer term, their export business, that was initiated and built up to large proportions by hundreds, if not thousands, of independent commission firms in Chicago and throughout the country, and the packers knocked them out by their usual ruthless methods and appropriated their business in the same lawless manner that they have driven out thousands of butchers and market men in the small country towns, and we now have an economic situation whereby live stock is shipped to Chicago and other packing centers, and dressed meat and other prepared products are shipped back to the country, which, instead of being an economic saving, seems to be a case of double freight and the employment of dear labor in the cities, against individuals and families in the country doing their own work; and consequently it is an economic waste on any surplus that is not required by the urban population.

Considerable space is occupied in Swift & Co.'s statement to the Federal Trade Commission to controvert the charge that packers control prices of meat and other food products. But what other conclusion could the Federal Trade Commission have adopted, after the open and acknowledged attempt in 1902 by Swift & Co., Armour & Co., and others to enter into a combination to organize a \$923,000,000 corporation? What was the purpose of that gigantic scheme, if it was not to enable packers to control the buying price of live stock and other food products, and to fix the price at which those products would be sold to the consumer?

Nor must it be overlooked that during the period that England was seizing the ocean shipments of provisions of the Chicago packers, under the belief that their ultimate destination was Germany, and at the time when some of the packers appeared to be paying assiduous attentions to the representatives of nations who were then plotting to plunge our country into serious complications, a letter was written by the Austrian Ambassador Dumba to the Austro-Hungarian foreign minister, under date of August 20, 1915, from which the following extracts are taken:

"Mr. Meagher (Meeker), whom I recently met on a yacht, and whose acquaintance I had already made in Chicago, absolutely regards England's acts as arbitrary. Meagher (Meeker) is one of the principal exporters of the United States, for he is a partner of the Chicago firm of Armour & Co., who with Swift & Co. control the meat market of the whole Western Hemisphere.

"My informant further gave me to understand that he has not played his last trump, namely, a refusal to import meat to England. *He, that is to say, the above-named slaughter houses, control the Argentine market.*"

On July 13 last I observed an article in the Chicago Economist and other publications, entitled:

"ARE THE PACKERS PROFITEERS? PLAIN FACTS ABOUT THE MEAT BUSINESS."

The article is signed by Swift & Co., Armour & Co., and three other packers, thus conveying and continuing the belief that practically the same combination that attempted to organize the \$923,000,000 corporation in 1902 is still bound together for offensive and defensive operations in the packing business.

In the face of these facts, and so many correlative circumstances, is it any wonder the Federal Trade Commission and others adopt the views they have taken regarding the methods and management of the packing business, as it has been conducted by the five big packing corporations?

Swift & Co.'s record on the Chicago Board of Trade has been good and clean, and their business affairs in that association have been conducted with an absence of the trickery and discreditable doings that have characterized the business methods of Armour & Co., but they made a vital mistake when in 1902 they displayed not only their willingness but their intention of uniting with Armour & Co. in the formation of that \$923,000,000 packing corporation. By that act Swift & Co. proposed to ally themselves with a firm that long before this time had become notorious for its discreditable business methods; a firm which seemed to prefer a singular course of extortion and exactions on the one hand, and to exult in planning and executing vicious schemes for demoralizing and overthrowing markets for purely mercenary motives, regardless of the distress it caused their fellow merchants, or how injurious it might be to the general trade of the country.

So bold and lawless became the firm of Armour & Co. that, according to the records of the Chicago Board of Trade, in the years from 1893 to 1896 it issued and circulated fraudulent warehouse receipts for 12,000,000 bushels of wheat. The magnitude of this swindling transaction exposed it, as not only the rules of the Chicago Board of Trade had been violated, but also a crime (punishable by imprisonment in the penitentiary for from one to ten years) committed. The directors promptly investigated the matter, and when the facts were placed before them they voted the entire Armour & Co. system of elevators irregular.

At the trial before the directory, the facts were admitted, but the three Armours—Phillip D. Armour, Phillip D. Armour, jr., and J. Odgen Armour—under oath denied knowledge of the issuing of the receipts. The manager of the Armour Grain Co. was suspended from the privileges of the board for 20 years.

This is only one of the many despicable transactions of Armour & Co. The commercial record of that firm is a tragedy, and for more than 30 years its business policies have been a series of almost continuous lawless and predatory

acts, and directly opposed to the excellent business methods of Marshall Field & Co., John V. Farwell & Co., and other firms in this city, and of nine-tenths of the business men of the country.

It is, of course, unthinkable to entertain an idea that Swift & Co. would indorse the criminal acts of Armour & Co., but did they not condone them and degrade their own standard of business ethics, when they attempted to ally themselves with that firm in the mutual business arrangement of 1902? And did they not invite the hostility of the people, and prepare the way for just such a searching inquiry and upheaval as has now appeared?

And furthermore, does it not suggest the query: How did Swift & Co. expect to do a creditable business in conjunction with a firm that has such an extensive record of discreditable misdeeds as has Armour & Co.? And how can Swift & Co. compete with such a firm at the present time, and do a straight-forward business?

Regarding the percentage of profits Swift & Co. realize in their business, it is not my province to make any comments whatsoever in that matter, but what effect has the system of the packing concerns had on the economic affairs of the country?

You must admit something is wrong, where for years there has been such a country-wide complaint of unremunerative prices for the producer, in the face of steadily increasing prices to the consumer, until they have reached the present exorbitant heights, and nearly the privation limit of the masses.

What is the loss to the country in the many years of decimated flocks and herds of the Middle and New England States? What about the decrease in the fertility of the soil, due to an insufficient production of live stock, so that the average yield of wheat per acre in this country for the previous seven years has been but 14.8 bushels per acre, while the growing crop of 1918, on its greatly increased acreage, shows a yield of but 15.9 bushels per acre? And other cereals show a corresponding decreasing yield.

This represents less than one-half the average yield of wheat in England, Belgium, France, and Germany.

There is nothing that the people will tolerate less than restrictions and exorbitant prices for the necessities of life, and the scarcity and high prices of food has been more prolific of riots, disorders, and revolutions among nations in the past than any other agency.

Then what has been the loss to the holders of railroad securities by the autocratic methods of the packing companies, as instanced no later than March 14, 1915, in the charges made against them by the chairman of the Southwestern tariff committee?

What about labor disorganizations, disruptions, and riots, one of the many instances of which appeared in the riots in East St. Louis? An official report, of a committee composed of Members of the House of Representatives, reads as follows:

"The committee found that the riots were caused by race hatred, bred by the importation of thousands of southern negroes by industrial plants and railroads, the negroes displacing what laborers, who were driven to want by lack of work. Union labor, however, is absolved of blame for inciting the riots.

"The committee traces in detail the greed that made crooks of the politicians, made money grabbers of the manufacturers, who pitted white labor against black, drove organized labor from their plants, brought thousands of inefficient negroes from the South, crowding out white men from the positions. Corruption was bi-partisan, producing a shameless debauchery of the electorate.

"It was proved conclusively that the various industries in St. Clair County (East St. Louis) were directly responsible for the importation of these negroes from the South. Advertisements were printed in various southern newspapers, urging the negroes to come to East St. Louis, and promising them big wages. In many instances agents were sent through the South to urge the negroes to abandon profitable employment there and come to East St. Louis, where labor was high."

The above investigation was not conducted by the Federal Trade Commission, but by a committee from the House of Representatives, composed of Johnson, of Kentucky; Forster and Foss, of Illinois; Raker, of California; and Cooper, of Wisconsin.

Referring to the conditions in this city, the Chicago Tribune, of March 15, 1917, says:

"A new problem demanding early solution is facing Chicago. It pertains to the sudden and unprecedented influx of southern negro laborers. In two weeks

more than 10,000 have been brought into the city, and since a year ago 40,000 have been transported here.

"The most pressing condition at present is the health and living habits of the newcomers.

"With the coming of the lower class southern negro into the 'black belt,' the better-off northern negroes begin to hunt a more desirable district. The hard-pushed real estate agents dealing with negro tenants are crowding white residents who live on the edges of the 'black belt.'

"Mrs. Ida Wells Barnett, one of the most active negro social workers and founder of the Negro Fellowship League, characterized the 'dumping' of great numbers of practically helpless negro strangers into Chicago as little short of outrageous."

Are not such conspicuous examples of utter demoralization and moral degeneracy a menace to the welfare of the Commonwealth, and is it not an indication of some inherent wrong in the labor system of the big packing corporations?

What is the combined aggregation of losses the country has sustained by these wasteful and destructive processes in the system that has prevailed for so many years, and which has culminated in less than one-half the natural yield of cereal products, the scarcity of meats, and the utter demoralization of values in railroad property, as was experienced in the closing months of 1917?

These combined losses are, of course, difficult to compute. They are of a magnitude so enormous it would seem presumptuous to venture an estimate, but will they not equal, if they do not exceed, at least on of the Liberty loan issues?

The favorable press notices Swift & Co. have appended to their report can be dismissed as being devoid of any correct expression of public sentiment, because the lavish country-wide advertising propaganda forbids any such conclusion, but rather a determination of the leading packers to control public sentiment through the press by the employment of a system of extravagant remuneration to obtain reciprocal favors.

In the issue of September 2 of the Chicago Herald and Examiner there is a very severe criticism of the Federal Trade Commission by the Chamber of Commerce of the United States.

As this criticism appears to be unnecessarily vitriolic in its denunciation of the Federal Trade Commission, it would seem to suggest some ulterior motive rather than a calm and deliberate expression of an unbiased opinion.

Among the prominent officials of the Chamber of Commerce of the United States, I observe that Mr. Harry A. Wheeler is the president. Mr. Wheeler also is the vice president of the Union Trust Co. of Chicago, of which Mr. George E. Marcy is one of the directors, and who is also the president of the Armour Grain Co.

Is it possible that this is another case where "The voice is Jacob's voice, but the hands are the hands of Esau?"

It recalls to the recollection that it was the firm of Armour & Co. against which the Government in 1912 had a \$1,000,000 oleo suit, and which was compromised for one-tenth of that amount by the retiring Secretary of the United States Treasury Department during the last hour of the closing administration. As this case at the time was pending in Congress and a Federal court, it was pronounced by the chairman of a congressional committee to be the worst fraud on the Government since the whisky fraud of 1873.

It is because of so many sinister and secretive acts as this that our ex-Senator Beveridge to coin the words "invisible government," to express the unexpected and untoward influences that appear to be so active in the affairs of our country.

In one of your previous letters to me, you wrote as follows:

"I am glad that you wrote your letter of the 27th, and that you did not hesitate to criticize our reply to the Trade Commission and our advertising policy in general. It is only by such a frank and open expression of opinion that we can make progress at sound conclusions."

Such a frank avowal from you convinces me of your earnest desire to aid your firm in solving their perplexing problems, and to further the advancement of a "sound conclusion," as you have so happily expressed it, I deem it my duty to the people to prepare copies of your letters to me, and of mine to you, and forward them to each President Wilson and the Federal Trade Commission, which I shall now proceed to do.

Very sincerely yours,

A. W. GREEN,
647 Postal Telegraph Building,
Chicago, IL

221 ALBEMARLE ROAD,
Brooklyn, N. Y., Dec. 11, 1918.

HON. THETUS W. SIMS,

Chairman Committee on Interstate Commerce, Washington, D. C.

MY DEAR SIR: I notice the report of your bill to curb packers by the control of rolling stock and cold-storage plants. You may remember me as the man who in the early part of 1914 appeared before a committee of which you sir was a member, and the Hon. W. C. Adamson was chairman. As the representative of a large number of deep-sea fishermen of the south Atlantic coast, pleading for a more equitable freight or express rate for shippers of over 250,000 barrels of whole fish per annum but to no purpose, as is the usual result when one seeks (without large resources at his back) to better conditions among the humble workers on land and sea. If, my dear sir, your bill goes through, it will be a godsend to the country, as the powerful interests you are interfering with or proposing to curb, have much to do with food profiteering, consequently oppressors of the poor, for gain.

If you can secure such control as your bill suggests or alternatively the actual taking over of the rolling stock and cold-storage houses, you will be the means of breaking up one of the most unholy and conscienceless trusts in existence in the United States. The refrigerator cars owned by the packing houses of the country number not less than a half million (doubtless more) not subject to United States control. The Fruit Growers' Express also will easily show a private ownership of another hundred thousand or two. The Coal Trust must control in various ways another half million, while oil-tank cars and dairy products cars possibly 150,000 more. Control of such rolling stock and all special lines of transportation, whatever their name, and they are legion, should come into a bill of this kind, most assuredly. One particular phase as to packing-house-owned cars I will refer to; i. e., the fact that 25 per cent to 40 per cent of their space is wasted; consider this.

Government control or ownership would conserve not less than 125,000 cars, a vast economy in itself in reduction in weight alone.

Let every square foot in these cars be utilized by eliminating all inedible and unutilized parts at the place of slaughter; bones, offal, and superfluous tallow and fats not for consumption (as food) be kept in Chicago, Omaha, Kansas City, and elsewhere and the creature—beef, pork, mutton, lamb—be cut into such parts as are to be used for human consumption and so packed in scrupulously clean containers (enameled steel preferably) on wheels, and the same or improved apparatus for cooling be used, and tonnage per car increased fully 50 per cent more value per carload shipped and freight reduced 50 per cent. Refuse is usually 40 per cent of the average carcass, and that costs as much as edible food to transport and handle.

Further, these cars, divested of their offensive features, can be utilized as commercial carriers of any class of commodities on return trips, the containers of several cars being carried in one car by adapting the carriers for economical storage, as, for instance, shaping them in telescope form, a little flaring, so as to pack close. Now, we have a saving of car space equal to 25 per cent or more; therefore, an economy in freight cost counting large. A saving in loading and unloading, a saving in storage room at both termini, an enormous total. A very great income addition by keeping all the by-products at the slaughterhouses and using better facilities for curing, rendering, and other processes known to the packers. We must not lose sight of the vast economy secured by the active use of 125,000 cars we have gained by cutting 25 per cent out of the 500,000 estimated supply coming into play at a time when badly needed to distribute our surplus abroad. They would save millions. These cars can be run directly into duly prepared ships without transferring contents, another economy. The known tendency of our great industries is to practice only such economies as will favorably affect their own balance sheets (see and note.). It is seldom, if ever, an effort is observable on their part to help consumers, only as profits are secured. Congress and the Senate are supposed to represent the rank and file of the people, therefore your bill ought to be acted on before many others of less import to all consumers. It should cut down prices not less than 33½ to 40 per cent at retail. Effective use can be made of these suggestive figures and pointers, sir. I have had a visit (comparatively recent) from a highly-placed man in the service of the largest packing house in the United States, and he talked freely with me. A talk on this very point of cut meats ready to sell was the main subject of our interview (about two years since). He admitted that this innovation in the business was bound to come sooner or later, but

they were not ready to adopt it then (or now). Indications, however, point to the speedy adoption of this plan, but not for the consuming public. Oh, no, but with a view to larger dividends (God help us all) for the packers. On no increased capital on sales, 3 per cent on \$250,000,000 is \$7,500,000, on a capital of \$15,000,000, say 50 per cent.

The public should have half or two-thirds of this huge sum.

Yours, very truly,

A. W. LYMAN.

LAUREL, MISS., *January 11, 1919.*

Messrs. P. W. Scott,
Manager Armour & Co.,
Meridian, Miss., and

J. B. Hebron,
Division Manager Armour & Co.,
Memphis, Tenn.

GENTLEMEN: Inclosed find petition from the city officials, bankers and business men of Laurel, Miss., requesting Armour & Co., to establish a capital branch house of its business in Laurel.

We would appreciate your attention to this matter and favorable action thereon.

Yours, very truly,

GOODE MONTGOMERY, Mayor.

LAUREL MISS., *January 4, 1919.*

Mr. P. W. Scott,
Manager Armour & Co.,
Meridian, Miss.

Mr. J. B. Hebron,
Division Manager Armour & Co.,
Memphis, Tenn.

We, the undersigned merchants, bankers, and business men of the city of Laurel, Miss., respectfully show unto you that for the past 15 years Armour & Co. have been doing business here under the Meridian branch and on account of the shortage of help due to war conditions the branch here was closed up September 1, 1918, and since that time they have had no branch house of any description here.

We have no complaint against Armour & Co. or their method of doing business. We are well pleased with the firm and want them to come back into our city, but since Armour & Co. have been here Laurel has grown from a mere way station to one of the leading cities of the State and, as we think and confidently hope, has one of the brightest futures of any city in the State and what we desire in this petition is that Armour & Co. come back into our city and re-establish themselves here, not as a branch of Meridian or any other city, but as an independent institution recognizing the business of Laurel and aligning itself with the citizens of this city in the progressive development of this section of the country by establishing an independent branch here the same as Meridian, Hattiesburg, and all other cities of any consequence in the State have.

We believe that the amount of business done justifies this recognition on our part and therefore we request Armour & Co. to grant us this consideration, but if we can not get such recognition from Armour & Co. we propose to do business with some packing company who will give us this recognition and who will show by their attitude toward us that they believe in the city and are willing to do their part in the development of the country, expecting, of course, to share in the fruits of our united endeavors.

T. G. McCallum, Mayor; Goode Montgomery, Mayor-elect; D. F. Gardiner, City Clerk; W. F. Skaggs, Commissioner; W. Eades, Commercial Bank & Trust Co., R. M. Yates, Asst. Cashier; J. F. Calhoun, Secty. Laurel Commercial Club; Crescent News & Hotel Co.; Ike Serkin, Palace Market; Mrs. H. J. Bush; R. H. Graves, Merchant; Maddox & Hughes; W. R. Maddox; Pryor Anderson, Merchant; Ed Bryant, Merchant; Ginsburg & Kaplan; W. E. Gro. Co.; G. W. Martin; J. B. Reddock; F. J. Bruce.

Merchant; P. M. McDonald; M. Cicero; Fertitta Bros, Merchants; Joe Galbo, Market; P. Pitarro; Marshall Ram, Merchant; W. H. Brick; J. F. Craven; Williamson Gro. Co.; E. Rahann; J. C. Kelly; Ferris Ashmin; W. C. Singley's Market; W. E. Howard; Ed Bryant, Merchant; J. C. & A. K. Guinn; John Smith; Solomon Ram; T. M. Burrage; J. H. Walker; R. E. Carter; Y. J. Knight; Laurel Bakery; Star Café; H. J. Carlisle, Merchant; Marathon Lumber Co.; E. L. Barlow; Gilchrist-Fordney Co.; C. S. Williams; O. A. Wilson; J. D. Wright; J. R. McCraw, Merchant; Wausau Southern Lumber Co., by S. B. Bissell, Treas.; M. L. Williamson; The Whitaker Co.; Whitaker & Smallwood; Thigpen & Foley, Stringer; J. M. Ford, Stringer; Birdie Welfum, Stringer; W. A. Ruffin, Stringer; J. A. Fokis; The Tate Company, per J. C. Coats, Sec'y & Treas.; Mrs. W. A. Skaggs; Zepernick's Grocery, A. L. Yeager, Mgr.; J. F. Smith; H. J. Peace Market; S. Wharton; D. W. Hooper, Merchant; Pine Hurst Hotel; Singley Market; Gen. Café, by Ada Howe, Prop.; V. Leberto; W. D. Denim; Century Drug Store; Wallace Drug Co.; Ram & Co.

STATE OF ILLINOIS,

County of Cook, ss:

I, Edwin L. Ward, being first duly sworn upon oath, do depose and say that I am employed by Swift & Co., a corporation, Chicago, Ill., in the capacity of office manager; that the total amount of money expended by said Swift & Co. for advertising of every description, including show cards, posters, and advertising material of every nature, as well as space in newspapers, magazines, and periodicals did not exceed one million seven hundred thousand dollars (\$1,700,000) for the fiscal year ending November 2, 1918.

EDWIN L. WARD.

Subscribed and sworn to before me this 20th day of January, A. D. 1919.

[SEAL.]

EDGAR B. KIXMILLER,
Notary Public.

STATE OF ILLINOIS,

County of Cook, ss:

I, Arthur D. White, being first duly sworn upon oath, do depose and say that I am employed by Swift & Co., a corporation, Chicago, Ill., in the capacity of advertising manager; that the entire advertising expenditure of Swift & Co. for the fiscal year ending November 2, 1918, was less than one million seven hundred thousand dollars (\$1,700,000), which is approximately fifteen one-hundredths of one per cent (15/100 of 1 per cent) on the volume of sales for said year.

That I am of the opinion that the attitude of the consumer toward the manufacturer of any product is a considerable factor in determining the purchase. The favorable attitude on the part of the buyer is an asset to the seller, and the constructive nature of the advertising done by Swift & Co. during nineteen eighteen (1918) has been considered not only from the standpoint of the public having a better understanding of the fundamental facts of the business, but of creating a demand for Swift & Co.'s products.

That I am also of the opinion that all of the advertising of Swift & Co. of every nature has assisted in creating a demand for Swift & Co.'s products.

ARTHUR D. WHITE.

Subscribed and sworn to before me this 20th day of January, A. D. 1919.

[SEAL.]

EDGAR B. KIXMILLER,
Notary Public.

PITTSBURGH UNION STOCK YARDS CO.,
PITTSBURGH, PA., January 9, 1919.

Hon. Congressman SIMS,

Chairman Interstate Commerce Commission,
Washington, D. C.

SIR: Wired you to-day as follows:

"Would appreciate an opportunity to appear before your honorable commission on House roll bill 13324 in reference to stockyards regulations."

2424 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Would you be kind enough to let me know when you are ready to have hearings in reference to stockyards in connection with this bill.

By doing so you will greatly oblige,

Yours, very truly,

J. S. McFADYEN,
General Manager.

C. A. HARTMAN, ATTORNEY AND COUNSELOR,
REMOVED TO SUITE 1009 COMMERCE TRUST BUILDING,
Kansas City, Mo., January 21, 1919.

ATTORNEY GENERAL,
Washington, D. C.

DEAR SIR: Relative to congressional investigation of packers and proposed legislation to curb their control of food production permit me to call your attention to what seems to me to be one of the vital elements of the situation which should be considered in solving the question, namely, the very apparent control by the packers of eggs, poultry, and butter. If these food products are not controlled directly by the packers they are evidently controlled by affiliated or subsidiary companies in which the packers have a controlling interest.

The present price of eggs can be accounted for neither on the basis of supply and demand or upon cost of production. It costs practically nothing to raise and feed poultry when raised and fed on the farm, as the feed of poultry is practically what would otherwise be wasted. There certainly can not be a very large demand for eggs among the civilian population, because very few people are eating eggs at present price. I can find hardly anyone who eats eggs at present prices, and they use them only for cooking purposes, so that there can not be a very great demand from the civilian population. As to supply, there is a larger supply of eggs and has been during the past year than ever before in the history of our country, and farmers can not understand why they are so high. It is plain to be seen that the packers controlling these products can get a very much higher price for their own products. By so doing they eliminate the competition of food products which would very materially compete with their own products. So we find that these products are always enough higher than the cost of meat to deter the people from buying these products and causing them to buy the packers' products instead. Thus we find butter substitutes selling at the present time at what were normally the prices of butter, and eggs so high that anyone counting the cost of living will eat meat instead, and the same is true of poultry.

If these food products were in the hands of independent dealers it is apparent with the present supply, particularly of eggs and poultry, that the prices would be very much lower and the people would be buying these instead of meat at present prices; and so the price of meat produced by the packers would have to come down.

I, of course, can offer no proof that the packers control these products, but it is the only explanation, in my judgment, that can be given for the present condition of affairs. The solution, in my judgment, is to divorce the packers from dealing or handling in any manner these food products and forbidding them having any interest whatever in any company handling these products. If, after experience, we find that this does not solve the problem, it is plain that we will have gotten rid of this element of the situation and can then better attack the problem hereafter. There can be no complaint on the part of the farmers if prices on poultry and eggs should fall as result of such legislation because they all realize that there is no reason whatever except artificial reasons why they should be so high.

The public are getting restless under present exorbitant food prices and are demanding that something be done to relieve the situation.

Trusting that these suggestions may be of some benefit to you, I am,

Yours, very truly,

C. A. HARTMAN.

Copy to—

Senate Committee on Agriculture, Senate Building, Washington, D. C.

House Committee—Interstate Commerce, House of Representatives Building, Washington, D. C.

124 EAST FORTY-THIRD STREET,
Chicago, Ill., January 22, 1919.

To the Chairmen and Membership of the Senate Committees on Agriculture and Interstate Commerce, Washington, D. C.:

GENTLEMEN: While in no sense advocating it in making the statement of a potential condition, I am confident that if Armour alone of the "big five," or all the packers, not only owned the packing houses, the stockyards, the railways, but also owned all the farms in the United States or in one State or in one county, they would long, long ago have solved the animal tuberculosis problem, costing this country annually, according to Secretary Houston, \$40,000,000, and without costing the farm end one penny; in fact, I am sure they could take hold of the proposition if they were allowed to or felt they could do so without criticism, they could solve the animal tuberculosis problem and make money doing so, besides saving thousands of human lives—no thanks for this, though.

Packers can tell and have cost-accounting systems of every step, from the moment they start driving their live stock from those they buy them of until they are delivered to the wholesaler, and know the cost per unit of every step; and they know every leak; but tuberculosis is a leak before they start cost account.

Do you suppose for a single moment, if they owned the farms and were having an annual leak due to 3,974,000 tuberculous hogs and over 200,000 tuberculous cattle, that they would not immediately trace back that leak and correct it without excess cost to primary cause and with a credit balance to the whole business?

They would mark or tag every animal at its source and find out the leak. Just as Julius Rosenwald's secretary told me the other day, they know whose hands every article passes.

For 18 years I have wanted to see this tuberculosis business handled like business men should, but it has been everybody's business, and therefore nobody's business. Since 1903, off and on, and particularly during the past two years, I have tried and tried and tried to get an interview with the packers—they, themselves; and, in fact, have "pestered" them, but I can not even get an interview. But I don't blame them. They do not dare to become interested in my proposition because of their being open to unfair criticism of possibly trying to take advantage of the farmer when tuberculosis is traced to their farm. In fact, I believe they would help me and provide funds for a county demonstration experiment and model, or one of them might do it if they dared.

Do you remember when the packers once offered to equip and endow a veterinary department at the University of Illinois and Mrs. Caroline Bartlett Crane, through Congressman Nelson, I believe, got a resolution introduced implying that through this the packers were not only trying to "influence" the present inspectors, but also to train them their way. It is ridiculous to think they would, but the misinterpretation of motive forced them to abandon the idea and the country has lost millions by it. If it was not for this Rogers would not have felt duty-bound to the extent of bankrupting himself and of probably losing his wife. That is what that attitude costs me.

Congress appropriated \$500,000 (less than 10 cents per farm, and if 10 per cent or 600,000 herds are tuberculous, less than \$1 per farm) and are asked for two million more. I hope you give it—but I hope it will not become a "vanishing fund" spendthrifted in perpetual indemnities but a "revolving fund" that will be larger when the disease is controlled and turned back to the Government—here is your opportunity—take up with those packers you are grilling an outline of a co-operative plan, and you will probably find them willing and anxious. If the whole \$2,500,000 were available in Illinois alone, to tuberculin test all the 251,872 farms at \$10 per farm would cost somebody \$2,518,720 or \$18,720 more than your whole appropriation just to locate the 10 per cent estimates or 25,187 tuberculous herds and leave nothing to help unfortunate owners of tuberculous cattle.

The hogs tested the cattle last year—they are now—and will during 1919—If the hogs are marked the results of the tests can be found in the packers' plants—in their laboratories if you will. Cattle that will not cause tuberculous hogs in 1919 are not dangerous during 1919—but herds that will cause tuberculosis in hogs in 1919 have one or more dangerous cattle. Find them in 1919.

Page 2. (I tried to keep within one page, but too vital.)—ROGERS.

If by any miracle the entire \$2,500,000 were available to Illinois alone, and if by business methods of using the hogs to save that sum in locating the herds they could say, in substance, to 25,817 tuberculous herd owners, "As a result of our saving, here is a bonus or gift of an average of \$1,000 to you to clean up the disease or we will take them off your hands and mobilize them."

If the packers, all of the about 300 packing-house corporations were permitted to combine their cooperative efforts, and in the last preceding year a total of 3,974,000 tuberculous hogs and 203,193 tuberculous cattle, or 4,177,193, or, in round numbers, 4,000,000 tuberculous animals were found in all the plants each would have his share indicated by a reducible fraction with his total number as a numerator over 4,000,000. Then the cost of a \$50,000 county experimental model demonstration could be prorated among the 300 packers, big and little. Then they could have all hogs tagged and after locating the tuberculous herds of the country—similarly prorate the cost of tuberculin testing these tuberculous herds, or let the Government or State do it—and then let the packers buy and mobilize the tuberculous herds and prorate the cost of this buying and mobilization at full market values. Then it would be very legitimate to permit the packers to add these charges to the cost of the finished product and to the consumer, which while increased a little for one or two years, would, however, prevent its being a perpetual charge spread over the next 25 years, as it has the last 25 years since the discovery of tuberculin and the inauguration of inspection. Let's be sensible and pull together.

If anybody thinks the packers lose because of tuberculosis—they are much mistaken—unless they might be small Iowa packers in the hotbed of a tuberculous district and get more than their share of condemned ones—and by the way—this is a point that brings tuberculosis within the purview of your committee and the trade commission and perhaps more than the question of the ownership of stockyards or denial of refrigerator cars to small independent packers—at least it is a factor. Milwaukee with 24 per cent tuberculous hogs and Indianapolis with perhaps 5 per cent day after day show a different struggle. The big packers with 15.81 per cent in Chicago and 15.27 per cent of tuberculous hogs in Sioux City, have it equalized against the smaller packers at Kansas City, where it is only 3.29 per cent, and much less at Fort Worth. See?

If 5 per cent of hogs are condemned, the cost of the finished product must have 5 per cent added and the consumer pays—and if the condemnations should be 50 per cent he would have to add 50 per cent to the cost of the finished product and the consumer pays—for the packers after all are highly trained "commission agents or organizations" in fact. If 50 per cent are condemned the demand is 50 per cent more for live raw stock, and the farmer benefits from tuberculosis—its a delusion to accept anything else, and is only an excuse for saying we have to discriminate because of fear and risk of losses. It is true only in bad districts.

If the packers bought direct from the farmer every live stock purchase, instead of through the intermediate shipper with mixed loads and the commission man, the tuberculosis problem would have been solved long ago. The packer a few years ago would done it harshly and selfishly on a pure "subject-to-post-mortem-inspection" and trying it was his retrogressive mistake. Now they realize it, and so far as I know do not take advantage of the farmer to whom carload units of tuberculous live stock have been traced, but cooperate with him or at least do not discriminate. Lions and lambs must work together.

Gentlemen of the committees, here is your opportunity to do some constructive cooperative work and recommendations with the packers for the people and the farmers, and besides "you will help making untrue that statement that it was safer to be a soldier in the trenches 'over there' than a baby in America." Of the occult wounds our babies, our future citizens, are getting die from the effects of when they are 20 and 25 and 30 and 40 years of age.

I would be glad to be called to personally appear before your committees, and if I had the money I'd be in Washington "lobbying" for the babies—the citizens of 1940 to 1970—that is those that will be the "poor devils" then. So traveling expenses only will see me take the first train.

Sincerely yours and ours,

BURTON R. ROGERS.

I have "pestered" nearly every millionaire in the country with letters and appeals for appointments for nearly 12 years, but it is as hard to see one of those men as it is for a "camel to walk through the eye of a needle." their secretaries stand like stone walls between you and it—and although I have been in Carnegie's and John D., jr. homes and others, there is absolutely only one

millionaire I have yet succeeded in interviewing personally, and that was a Kansas City one several years ago, and who has subsidized a small share of my expenses, and he is not connected with the packing business, and a number of years ago another millionaire of Chicago whom I never saw and who is not interested in the packing business. Naturally, every one writes or their representatives say in substance, "I should think the packers would be interested, but they do not realize the conditions confronting the packers. Their relations to the farmer are too close and the question is an involved one in their transactions. But that is why the "packers feel I am a 'crank'"—I am in persistence. I am due to conditions and not to choice. I would a whole lot rather make a living than be forced to give a living to work on this that I feel is my peculiar duty, even at the risk of "a crank."

RIVERSIDE FARM,
Snohomish, Wash., January 23, 1919.

HON. THETUS W. SIMS,
Chairman Interstate Commerce Committee,
Washington, D. C.

MY DEAR SIR: Snohomish County Pamona Grange, Patrons of Husbandry, representing over 600 farmers, very urgently favors the Sims bill relating to the control of the meat packing industries.

Sincerely, yours,

M. C. HAZEN, Master.

THE FARMERS NATIONAL COMMITTEE ON PACKING PLANTS
AND ALLIED INDUSTRIES,
Washington, D. C., January 24, 1919.

HON. THETUS W. SIMS,
Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: On behalf of the Farmers' National Committee on Packing Plants and Allied Industries, composed of representatives of the leading farm organizations of the country, I respectfully ask that you will afford opportunity for Mr. Ed. C. Lasater, a member of this committee, and Mr. Francis J. Heney, counsel for the committee, to appear before your committee on Tuesday of next week, January 28, or immediately thereafter, to present the viewpoints of this committee and to answer the statements made by the packers regarding then pending Sims bill dealing with the meat-packing industry. This committee will also file a brief with your committee with reference to this bill.

Yours, very truly,

BENJAMIN C. MARSH,
Executive Secretary.

HOME PACKING AND ICE CO.,
Terre Haute, Ind., January 24, 1919.

HON. T. W. SIMS,
Chairman Committee on Interstate and Foreign Commerce,
Washington, D. C.

DEAR SIR: I thank you very kindly for your letter of the 22d, and as you suggest it will possibly be of no benefit to have me testify, inasmuch as I am opposed to the bill in question. Our plant is operated entirely independent of the big packers, and we have had no trouble whatever in securing all the refrigerator cars we have wanted at all times. During the past year we possibly used 500 cars. We think the bill, as framed, would be detrimental to the small packer as well as the larger packer, and no benefit would be derived from the passing of same.

Respectfully,

HOME PACKING & ICE CO.,
J. P. ROSS, Manager.

INDIANAPOLIS, January 25, 1919.

THE HON. T. W. SIMS,
Chairman House Committee on Interstate Commerce,
Washington, D. C.

DEAR SIR: I am following with much interest the meager press reports of hearings before your committee regarding the meat-packing industries.

I have for a long time been studying the economic problems that now are being forced upon legislators and public men for solution.

All the old stand-bys—free competition and the law of supply and demand—seem to be going into the discard. They fail any longer to serve, and it is being put up to legislators and commissions to fix prices of commodities, rates for transportation and other utility service, as well as wages, by legislative enactment or more or less compulsory arbitration.

I have recently published a book, *New Era Economics*, that presents economic principles for the fixing of prices and wages which may not strike you as feasible but which nevertheless it may be well to know of. I have mailed you a copy of this book, and I hope you may be able to find time to read the essential part, beginning at Chapter III.

I have also mailed you two additional paper-bound copies, which please hand to some colleague of yours on the committee. I think Mr. Stephens, of Nebraska, would likely be interested.

Yours, very truly,

JOHN F. BROWN,
529 East New York Street, Indianapolis, Ind.

January 25, 1919.

HON. THETUS W. SIMS.

DEAR SIR: The farmers of the State of Washington are very much in favor of the passage of the house resolution No. 13324 and hope it will be passed at this session.

Yours, truly,

DATUS VAN PATTEN,
Outlook, Wash., Route No. 1.

PAXTON LUMBER CORPORATION,
Bristol, Tenn., January 27, 1919.

HON. THETUS W. SIMS,

United States Representative, Washington, D. C.

DEAR SIR: We are just in receipt of copy of resolution made by the board of trustees of the National Wholesale Lumber Dealers' Association at their meeting in New York City on January 15.

We believe fully that this resolution is the proper attitude for all concerned and for your information quote below the resolution as adopted by the trustees.

"Whereas the trustees of the National Wholesale Lumber Dealers' Association are firmly of the opinion that the interests of the people, as well as the railroads of the United States, will best be served by the early return of the railroads to private operation; now be it

Resolved, That we respectfully urge the Congress of the United States to return the railroads to private control at the earliest date practicable without undue disadvantage to the private management thereof, and after the adoption of such provision for governmental regulation as shall be in the public interest."

We would appreciate very much your favorable consideration of this matter when the item is brought up for debate, and trust that your action will be such that will assist in having the railroads returned to private operation as soon as it can be done practicably without undue disadvantage to the private management.

Yours, very truly,

PAXTON LUMBER CORPORATION.

[Telegram.]

OROVILLE, WASH., January 28.

THETUS W. SIMS,

Care House Committee on Interstate Commerce:

We respectfully ask your support on Sims bill, H. B. No. 13324; also to Kenyon bill, S. B. No. 248, which ask for control of meat-packing industries by Government.

ELLENHAM GRANGE, No. 442,
S. LEWIS, Master.

VANCOUVER, WASH., *January 28, 1918.*

HON. THETUS W. SIMS,
Washington, D. C.

HONORABLE SIR: In behalf of Columbia Pomona Grange No. 1, I wish to assure you that our organization is with you in your efforts to control the meat-packing industry.

I have also requested our Senators to assist you in your efforts.

Wishing you success, I remain,

Yours, truly,

A. F. SALZMAN,
Secretary.

THE CONSUMERS' LEAGUE OF THE CITY OF CINCINNATI,
30 Pickering Building, January 28, 1919.

HON. THETUS W. SIMS,
House Office Building, Washington, D. C.

DEAR SIR: The executive board of the Consumers' League of Cincinnati wishes to express to you its hearty support of your bill. We are entirely in sympathy with its provisions and believe that this is a very opportune time to pass such a bill. We are giving it what publicity we can and have already urged our Senators and Representatives to support it. We are also asking the individual members of our league to do likewise.

Hoping that your efforts will meet with the success they deserve, we are,

Sincerely, yours,

EXECUTIVE BOARD CONSUMERS' LEAGUE,
Per ANNETTE MANN,
Executive Secretary.

UNITED STATES SENATE,
COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS,
January 29, 1919.

HON. THETUS W. SIMS,
*Chairman Interstate Commerce Committee,
House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN: I am in receipt of the inclosed protest from the Chamber of Commerce at Kansas City, Mo., against H. R. 13324. I understand this bill is before your committee.

Any protest signed by this very large and influential body is, in my judgment, entitled to careful consideration.

As I interpret the inclosed letter, the organization desires to be heard before the committee when the bill is under consideration. May I ask that that privilege be accorded and that the chamber of commerce be notified?

Very sincerely,

JAS. A. REED.

THE CHAMBER OF COMMERCE OF KANSAS CITY,
Kansas City, Mo., January 11, 1919.

HON. J. A. REED,
Senate Post Office, Washington, D. C.

DEAR SIR: Whereas Kansas City is second in volume of business of the livestock markets of the United States, the members of the Chamber of Commerce of Kansas City deem themselves peculiarly informed in facts pertaining to the operation of stockyards and the packing industry, and by reason of their information in the premises feel that they are peculiarly entitled to be heard in the consideration of a bill now pending in Congress, known as H. R. 13324, introduced by Representative Sims, of Tennessee; therefore, be it

Resolved by the board of directors of the Chamber of Commerce of Kansas City, Mo., that the following be submitted to the committee in Congress having such a bill under consideration, to the Senators and Representatives in Congress from the State of Missouri, to the Secretary of Agriculture, to the Secretary of Commerce, and to the Secretary of Labor, as a statement of our convictions concerning the matter set out in said bill, to wit:

1. We believe the proposed measure far outruns necessity in combating any evils at which it may be aimed.

2. We believe that the stockyards of Kansas City can not be as economically or efficiently operated under Government ownership and that the private corporation will render better service at less cost than can any governmental agency.

3. We believe that the cost of production in the preparation for market of packing-house products can not be reduced by Government ownership or by Government operation.

4. We believe that if discrimination in either price or service between shippers to privately owned public stockyards, or combination or discrimination in the purchase of animals for slaughter, or combination or discrimination in the sale of packing-house products, or combination to suppress free and fair competition or exorbitant price is a real or potential menace to the public welfare, such danger will be more sufficiently met and overcome by regulation through proper governmental agencies than by Government ownership.

5. We believe that the underlying principle of the proposed legislation belongs to the form of government against which we recently waged war and finds no place in the free institutions for which we have so valiantly fought, and that it will tend to destroy rather than to confine to proper channels that individual initiative which has been the great driving force in the achievement of man on this continent.

6. However willing we may have been to invest our administrative authorities with extraordinary and plenary powers to meet the exigencies of war, we are resolutely opposed to any continuation or extension of them in times of peace.

Entertaining the views expressed we respectfully, but positively and resolutely, protest against the passage of said bill on the ground that it is against public interest and sound public policy and opposed to the genius of American institutions.

Respectfully submitted.

THE CHAMBER OF COMMERCE OF KANSAS CITY.
B. A. PARSONS, *President*.
J. M. GUILD, *General Secretary*.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE POST OFFICE DEPARTMENT,
Washington, D. C., January 28, 1919.

The CHAIRMAN HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D. C.

SIR: I am inclosing a telegram from Fred P. Johnson, Secretary of the Western Stock Show Association, of Denver, Colo., protesting against the proposed legislation looking to Government ownership of stockyards and packing plants.

Sincerely,

EDWARD KEATING.

DENVER, COLO., *January 27.*

HON. EDWARD KEATING,
House of Representatives, Washington, D. C.:

Western Stock Show Association containing members from Colorado, Wyoming, and New Mexico, at the annual meeting expressed themselves as opposed to Government ownership of stockyards and packing plants, and passed the following resolution unanimously:

"Resolved, That the members of the Western Stock Show Association in annual meeting assembled, do hereby declare themselves as in favor of any necessary regulation of the packing, stockyard, and allied industries by law, rather than by licensing or investing an individual or bureau with power to make rules and regulations having the effect of law."

Will you kindly see that this reaches proper Committee.

FRED P. JOHNSON, *Secretary*.

FARM, STOCK AND HOME,
Minneapolis, Minn., January 29, 1919.

Hon. THETUS W. SIMS,
Washington, D. C.

MY DEAR CONGRESSMAN: I acknowledge, with thanks, receipt of parts 1 and 2, hearings on House bill 13324. I trust that you will see that I get all the hearings on this bill as fast as they are published.

I do not know whether or not you saw our comments on this bill, so am sending you a clipping from our January 15 issue, which puts the position of Farm, Stock and Home up very clearly. You will notice that I published the summary of your bill. I did this in order to stimulate thought and discussion among the farmers of the Northwest.

Very truly, yours,

H. N. OWEN.

HOTEL LATHAM,
Hopkinsville, Ky., January 31, 1919.

MY DEAR MR. SIMS: I am confident the foresighted public well knows that the growth of the five large packers could not have been attained with any regard for fair dealing. The time has come when this Government should put an everlasting end to such combines as the packers. Their false statements before your committee should be probed and they should be made to feel the strong arm of the Government for their effort to control the meat industry of this country, which they do beyond any question. I certainly hope your committee will report favorable for Government ownership of the meat industry, and I know the great American people at large will be with you, for they are tired of being robbed by this gang.

Respectfully,

C. R. WILLIAMS, *Traveling Salesman.*

PENNSYLVANIA FEDERATION OF LABOR,
Harrisburg, Pa., January 31, 1919.

Hon. THETUS W. SIMS,
House of Representatives, Washington, D. C.

DEAR SIR: I am writing you regarding the Sims' bill, No. 13324 and the Kenyon bill, S. 5248, the purpose being to solicit your influence for the acceptance of the amendments to the bill proposed by the "Farmers' National Committee on Packing Plants and Allied Industries."

The Pennsylvania Federation of Labor is deeply interested in this legislation and believes that the proposed amendment will greatly improve it. We further believe that you are not unfriendly to the cause of the workers, and that you will exercise every endeavor to compel the packers to cease their exorbitant demands on the public and do business with more regard for the consumer and less for the methods of the profiteer.

Trusting that you will give this matter your very best attention, I am

Very truly, yours,

JAMES H. MAURER,
President.

BROKEN BOW, NEBR., January 31, 1919.

Hon. THETUS W. SIMS,
Chairman Interstate Commerce Commission,
Washington, D. C.

HON. SIR: I see by the papers the packers are trying to talk the Sims-Kenyon bill to death. It is a downright shame to let them domineer over our National Legislature and Senate. If there ever was a bill put forth that would be of more benefit to the stock raiser and consumer than this one it certainly was killed in committee. And I wish to go on record in this statement. If, after all that has been said and done on both sides, this bill does not come out of committee so as to place on record the members for and against, there is going to be a genuine upheaval in politics in future. The stock raisers of these United States are well informed as to who are responsible for their losing money year after year. The consumers are becoming pretty well educated as to who is responsible for the high cost of living.

3432 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

By all means lets have the trades commissions recommendations carried out.
It is but just and fair to all.

Yours, for quick action,

M. D. STONE

THE FARMERS NATIONAL COMMITTEE ON PACKING
PLANTS AND ALLIED INDUSTRIES,
Washington, D. C., February 4, 1919.

Hon. THETUS W. SIMS,
Chairman, House Committee on Interstate and Foreign Commerce,
Washington, D. C.

MY DEAR JUDGE SIMS: I have received a telegram from Bonaparte Grange 444, Washington, with the request that I mail copy thereof to you at once. I am therefore transmitting this telegram to you:

"We urge immediate passage of Sims bill H. Res. 13324; Kenyon bill, S. 5248. Demand that criminal record of packers in past be made impossible as continuous."

Yours, very truly,

GEO. P. HAMPTON.

NATIONAL CONSUMERS LEAGUE, NEW ORLEANS BRANCH,
1631 Octavia Street, February 3, 1919.

Hon. THETUS W. SIMS,
House Office Building, Washington, D. C.:

The New Orleans Consumers League at its January meeting endorsed the Sims bill dealing with the meat packing industry.

The Consumers League as then is in sympathy with all sincere efforts to reduce the cost of living and this bill is designed to accomplish that end in so far as possible.

C. P. LABROMSIE,
Recording Secretary.

HOUSE OF REPRESENTATIVES,
Washington, D. C., February 4, 1919.

Hon. THETUS W. SIMS,
Committee on Interstate Commerce, House of Representatives.

MY DEAR COLLEAGUE: I beg to call your attention to the inclosed telegram from the master of the State Grange of Washington, urging the reporting and passage of H. R. 13324. This wire represents the sentiment of the farmers of the State of Washington.

Very sincerely, yours,

JOHN F. MILLER, M. C.

[Telegram.]

CHEHALIS, WASH., January 25, 1919.

Representative JOHN MILLER,
Washington, D. C.:

Get Sims bill 13324 out of committee and pass. It represents organized farmers.

W. W. STEWART,
Master Lewis County Grange.

ADDRESS ON "TRANSPORTATION—ITS EFFECT ON FOOD PRICES" BY J. SPENCER SMITH, PRESIDENT OF THE BOARD OF COMMERCE AND NAVIGATION OF NEW JERSEY, AND VICE CHAIRMAN, NEW YORK, NEW JERSEY PORT AND HARBOR DEVELOPMENT COMMISSION.

[Delivered at the Thirty-first Annual Convention of the New York Wholesale Grocers' Association, Hotel McAlpin, Jan. 15, 1919.]

Mr. Chairman and gentlemen of the Wholesale Grocers' Association:

The question assigned to me is very broad and one upon which, in the brief space allotted to me, I can only, so to speak, touch the high points. If in what

I say I can succeed in starting a profitable chain of thought, I will feel fully satisfied.

I sometimes wonder if the mercantile world adequately appreciates the true relationship between business and transportation. This leads to another thought—whether the mercantile world appreciates that modern trading or merchandising can be made comparable to the recognized professions; that is, whether we understand and appreciate the factors that enter into the successful management of a mercantile business.

Generally speaking, this is not the case nor do mercantile houses demand of those whom they put in charge a comprehensive knowledge of theories and principles underlying efficient mercantile activities. Those who turn to the professions find it necessary to take courses covering very considerable periods of time, depending on the profession before they receive diplomas certifying their qualifications to enter into the active practice of that profession.

My reason for drawing attention to these facts is because the average business man feels that the only factors that enter into business are good judgment, knowledge of where to buy goods to the best advantage, and in what markets to sell in order to secure the best price. He gives very little time or thought to such factors as banking and transportation. It is true if he purchases a commodity f. o. b. at a certain point, he will compute the cost of transferring the goods to destination, but he rarely attempts to analyze why the costs are what they are, being willing to accept the situation as it is, satisfied so long as his competitors have to face the same condition.

We frequently complain that our legislatures comprise too many lawyers and professional men, but we fail to grasp the fact that it is their studies which have broadened their vision and taught them to appreciate the law of cause and effect.

It seems to me the general question of transportation is peculiarly a business man's problem. If this be true, the business man is under obligation to the community to have a working knowledge of the problem and be in a position to render a genuine contribution as to its solution. This I think is particularly true of those engaged in the handling and distribution of food products, because probably in no other field of activity is the percentage of cost represented by transportation so high in proportion to the value of the article transported.

On the other hand, we hear an outcry against the high cost of living, and almost in the same breath are reminded what food products cost at the source and what the consumer has to pay for them. Those who handle the commodities are generally accused of absorbing the difference and receive the title of profiteers. Those of us who are in the business know how erroneous is this charge, yet if we do not make it our business to help correct the evils, are we not justly entitled to be condemned by the rest of the community? I think it is their right to tell us it is part and parcel of our civic obligations to know what is wrong and enlighten the public accordingly. In making this statement, I assume, and I feel that my studies entitle me to say so, that the cost of living could be very greatly reduced if the transportation system of the country was properly systematized, correlated, coordinated, and managed along scientific lines, rather than in the topsy turvey manner that it has been heretofore.

I am willing to go further and say that in my humble judgment most of our social and economic ills, other than those inherent in our natures, could be easily overcome and in many cases done away with entirely through the proper solution of our transportation problem, both rail and water.

Prior to the introduction of steam how many of our present social and economic evils existed?

The point I would like to force home is that a man owes an obligation to his country, just as great and binding in the days of peace as in the time of war. The trade has every reason to feel proud of the way in which its members were willing to drop their own businesses and give of their time and money in behalf of their country during the past years. But the same spirit should prevail when we are enjoying the blessings of peace, and men should realize their obligations to a community because of the peculiar calling they happen to be engaged in. It is for these reasons that I hope you gentlemen will realize your duty in helping to solve the transportation question.

I wonder how many of you have given thought to the reason why there are so many wholesale grocers scattered throughout the country to-day as against say 20 or 25 years ago, while in other lines of activity the reverse situation is true. That is to say, whereas 20 or 25 years ago there were a great number

engaged in a particular line, as time went on the number was lessened and to-day the industry is in the hands of a very few enormously large concerns. For example, compare the number of wholesale grocers and meat packers 25 years ago and to-day. Why do you suppose this condition has come about. It is because of the effect that railroad rates have had on the two businesses. In days gone by wholesale grocers in the large centers, such as New York City and Chicago, sent their salesmen throughout the country.

As time went on, small wholesale grocers sprung up in the various communities, purchased their goods on practically an equal basis with those located in the large centers, and because of the difference in rates were able to sell at a lower figure than the jobber in the big center. So as time went on the activities of the big jobber were circumscribed to their immediate locality. On the other hand, the packers, through the medium of the railroad rates and the fact that their product was of such a nature that it had to be transported in car lots, were able to enter distant markets and put the local packer out of business, excepting in his own community, where he could deliver his product by his own vehicles.

I mention this simply to point out to you what effect transportation plays in the welfare of a business. There is a very definite problem confronting the country to-day in the solution of the transportation problem, particularly that portion affected by railroads. Many theories are advanced and many remedies are proposed, and I, too, would like the privilege of making my contribution in the way of a remedy. Feeling as I do that communities and businesses could be made or unmade through the service given to them by the transportation companies as well as the rates charge, and taking into consideration the nature and form of our National Government, I believe it would be unwise for the Government to acquire the ownership or direction of transportation companies. On the other hand, there is no question in my mind that these arteries of intercommunication should be made to serve the interests of the people, irrespective of State lines and regardless of the feelings of those in control of individual properties.

My conception of the duty of a government is to so adjust matters by law that the artificialities of life created by man's invention and thought shall be so controlled that between man and man each shall have an unlimited opportunity to exercise his energies and abilities, provided the same does not interfere with the liberties or rights of his neighbor. If this is a true view of the function of a government, then I believe man's inventions in regard to the methods of transportation should be so governed by law that everyone will have equal access to the use of the same and upon equal terms, regardless of whether his use of the facilities offered be little or great. Going on this theory, I believe that the cost of transportation should be based on the service rendered plus a reasonable return on the capital invested.

The remedy I would propose for our present difficulties would be that transportation tariffs be classified under two headings, one covering the line haul and the other the terminal charge; that the local communities be given the right to build, own, and operate if they choose, their own terminals, and in the absence of communities undertaking to do it for themselves wherever one or two railroads serve a common point that they be compelled to operate a union terminal. The main stems of the railroads would thus be privately owned and operated. By this method there would be competition between railroads between points served by the different systems, but communities would be in a position, if they were not satisfied with either the terminal charge or the service rendered by the railroad companies, to take over the terminals and operate them.

In this way a community, or the merchants of a community, would have no one to blame but themselves if they did not receive satisfactory rates or service. Competition between the roads would take care of the service as well as the rates between terminal points. The rates might be subject to the supervision of the Interstate Commerce Commission if thought best, but there would be a clean-cut division of the cost, both of operation and earnings, and a commission could easily ascertain whether the rates charged were excessive or not. The line haul expenses and earnings would stand out for themselves as would the terminal cost and earnings.

The transportation problem and its solution is vital to us all; no matter what a man's or woman's vocation may be in life, they are affected directly or indirectly by the cost of transportation. We, in our particular calling, should feel our responsibilities and endeavor to aid in the solution of this problem. If we have no knowledge of the situation nor pass intelligently upon the remedies proposed by others, and yet who is in a better position than we are to know the many intricacies that enter into this great problem?

The commission I have the honor to be vice-chairman of, the New York, New Jersey Port and Harbor Development Commission, is actively at work upon the problem that the port of New York presents.

A prominent man in New York said he had gathered figures which he says show that the present inadequate facilities in the Metropolitan District has put a burden on the district of \$200,000 a day or \$73,000,000 a year. Whether or not his figures are correct, the commission is trying to find out. But assuming that it is only half that amount, think of what this means to this section of the country. In this connection bear in mind that at least half of the export and import business of the United States is handled through the port of New York.

No matter whether your business is located in New York City or Brooklyn or Newark or Albany or Buffalo or where it is in this country, you are affected by the solution of the port of New York problem. It has been estimated that it costs 27 cents to haul a ton between Philadelphia and New York and \$3.65 to handle it at the terminals.

No wonder the railroads have to ask for increased freight rates when the terminals are like open spigots. When we find that we are not making money in our businesses can we pass the buck on the public? Say we must get more money for our goods. I know we would like to, but competition compels us to justify any increases we may ask.

If there is an economic waste going on in the transportation business it should be eliminated. That there is a loss, is not denied by railroad men who know their business. It is comparable to the feeding of grain to hogs, who, in their greed, swallow it without chewing it, thereby gaining no benefit from their feed—a sheer waste of good food.

The question naturally arises, upon whom is the responsibility for the righting of the wrong. In my humble opinion it is a community problem. If this is true then the business man must see that the authorities are awake to their duties.

The States of New York and New Jersey have at last awakened to their obligations regarding the upkeep of the port of New York. The two States have appropriated moneys in order that a study of the costs of doing business and the methods employed may be made. When we make our report and present our plans it is our purpose to justify the same by showing the economies they will effect and to give definite reasons, backed by facts, as to why they should be put into execution.

It is then that we will need the construction criticism and support of men like you and organizations such as this. We have progressed far enough in our work to warrant us in recommending to the two legislatures that they bind themselves by a treaty to administer the Port of New York as a unit, irrespective of State line.

The legislatures will act one way or the other upon this proposal during their present session. Business men should realize the importance of this treaty. If you believe that the great port of New York should be administered as a business proposition serving the interests of commerce and the welfare of the people, then you should lend your influence to the adoption of this measure.

If the problem of transportation is going to be solved in the interest of the great mass of the people of this land which we love so dearly, if we truly prize the blessings of democracy which our loved ones made the supreme sacrifice for, then the business men of this country must be willing to give of their time and of themselves to its solution, because it is a business problem.

I plead with you to recognize your responsibility to your fellow man. Transportation is the link that ties us all together. This great land which stretches from ocean to ocean would not be peopled as it is, nor would the immigrant come in steady streams to our shores were it not for the arteries of transportation as they are at present developed.

Trace our problems one by one and you will find that they have arisen through what modern transportation facilities has made possible.

I for one believe what problems man has created he can likewise solve. To us who are engaged in business has been given a wonderful opportunity to be of service to our fellow man. To do a task worth the doing. Will we accept the call and serve?

CHICAGO, February 6, 1919.

MR. ALBERT BETTCHER,
Legal Department.

Referring to testimony of Mr. William F. Bode, vice president of Reid, Murdoch & Co., as shown on page 3426, report of hearings before Committee on

2436 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Interstate and Foreign Commerce, House of Representatives, on Government control of meat-packing industry, beg to offer the following facts:

On April 23, 1918, we loaded at this plant and shipped to our branch house at Memphis, Tenn., C. M. & St. P. car 88916 containing total number of packages as read into record by Mr. Bode. For your information am attaching hereto two true copies of original bill of lading and also two certified copies of original invoices covering this shipment.

It is not necessary to comment on any items other than 25 boxes of pork singled out by Mr. Bode to suit his purpose. You will observe the pork in question was in cans; in other words, consisted of 25 boxes of 24 one-fourth cans genuine potted ham, weighing 11 pounds per case, or total of 275 pounds, as shown on bill of lading.

The dimensions of these single boxes are 13½ by 10 by 3½ inches or, per cubic foot 0.27, or 3.7 cases to cubic foot, or combined measurement for the 25 cases would be 9½ cubic feet.

The total weight of contents of car was correctly stated as 69,203 pounds and as the weight of the canned pork was 275 pounds the 25 cases weighed one-fourth of 1 per cent of total.

It will be interesting to observe, in view of Mr. Bode's testimony, that C. M. & St. P. car 88916 was not a refrigerator car, but rather, a common box car of the steel under-frame type. It was in no way equipped to handle perishable freight.

Assuming, however, that a refrigerator car had been used, wish to say, that it is the policy of this company not to load any canned goods in refrigerator cars under refrigeration, due to the fact that when such canned goods are removed to a higher temperature the cans sweat, causing rust spots to appear and danger of labels peeling off.

Will be glad to give you any further information on the subject you may wish.

H. A. LAING.

Subscribed and sworn to before me this 6th day of February, A. D. 1919.

ALBERT L. LITTMANN,
Notary Public.

[SEAL.]

[Copy.]

LIBBY, McNEILL & LIBBY (INC.).
Union Stock Yards, Chicago, April 23, 1918.

Packages.		Price.	Total
400	24/Pop Salad Dressing (Dir. 3/21/18)	\$1.75	\$1.400.00
300	24/Dandy Apple Butter (Dir. 35, 4/4/18).....	2.75	1.400.00
5	16/gal. Libby Swt. Sll. Pickles (3,200) (Pkg.).....	17.50	87.50
5	16/gal. 2,800 Libby Swt. Pickles (Pkg.).....	20.50	102.50
5	16/gal. 1,600 Libby Swt. Pickles (Pkg.).....	16.50	82.50
10	16/gal. Libby Sour Pickles (1,050 count) (Pkg.).....	8.50	85.00
10	45/gal. 18/2,200 N. & C. Sour Pickles (Pkg.).....	14.25	142.50
25	16/gal. 6/700 N. & C. Sour Pickles (Dir. 29, 4/9/18) (Pkg.).....	5.45	136.25
50	24/10 Sweet Pickles.....	1.75	87.50
50	24/10 Sweet Mixed Pickles (Dir. 41, 4/15/18).....	1.75	87.50
25	24/4 Sweet Midget Pickles.....	1.25	31.25
	Delivered.		\$1,400.00

We hereby certify that this is a true copy of original invoice.

LIBBY, McNEILL & LIBBY.
Per H. A. LAING.

[Copy.]

LIBBY, McNEILL & LIBBY (INC.),
Union Stock Yards, Chicago, April 23, 1918.

Packages.		Quantity.	Price.	Total.
25	24 1/4 Pott. Ham (DIR #42—4/16).....	50	\$1.57 1/2	\$78.75
200	24/Pop. Salad Dressing.....	400	1.75	700.00
200	24/8 New Mustard.....	400	1.05	420.00
500	36/8 Libby Asstd. Jelly.....	1,500	1.25	1,875.00
	Delivered.....			3,073.75

We hereby certify that this is a true copy of original invoice.

LIBBY, McNEILL & LIBBY,
Per H. A. LAING.

[Copy.]

Illinois Central Railroad Company.—Received, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading, at Chicago, Ill., April 23, 1918, from Libby, McNeill & Libby, the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown,) marked, consigned, and destined as indicated below, which said company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

Consigned to Libby, McNeill & Libby.

Destination, Memphis, State of Tenn.

No. packages.	Description of articles and special marks.	Weight subject to correction.	No. packages.	Description of articles and special marks.	Weight subject to correction.
		Pounds.			Pounds.
25	Bxs. pork, canned.....	275	10	Bbls. pickles in bulk.....	4,533
600	Bxs salad dresg., in gl.....	15,600	300	Bxs. fruit butter in cans.....	10,500
200	Bxs mustard, prepared, in glass	5,600	500	Bxs. jelly in glass.....	20,000
125	Bxs. pickles in glass pb.....	4,125		Dunnage.....	200
50	1/4-bbls. pickles in bulk.....	1,420			

Libby, McNeill & Libby (Vaughan) shipper.
E. L. Kemp, agent.

CONGRESS HOTEL AND ANNEX,
Chicago, February 7, 1919.

Hon. THETUS W. SIMS,
Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

DEAR SIR: I am in Chicago just now on account of the sickness of my son, who is in the United States marine hospital. I have read in the newspapers the proceedings before your committee, and I would like to go to Washington and appear before you, but as I can not do so I am writing this letter to convey to you my views on the subject which is so important to me as a large producer of live stock.

I have read that Mr. Lasater told the House committee, on Tuesday, that the cattle industry would be destroyed if the Government did not assure producers of a just profit, and that more cattlemen were facing bankruptcy to-day than at any other time in the history of the industry—and that Government ownership was the only solution of the problem.

I regret that such radical statements are being made before the committee in order to force Government ownership operation—or regulation—which I feel would be a detriment to the interests of both the producer and the consumer.

The entire plan seems to be along destructive lines. You will find the better element of live stock producers are in favor of closer cooperation with the packers, and a better understanding of the marketing of meats and by-products with an effort to more nearly equalize the supply of live stock coming to market, and thus avoid any wide fluctuation of prices.

I believe that such statements are hurting the producers of all live stock and they are specially hurtful to those who have to borrow money on their live stock, and many of them do at one time or another.

Every live stock producer that I have talked to during the past year in the West and Northwest is against Government ownership or licensing of packing house or stock yards.

I think all the agitation against the packers has a great tendency to lessen the consumption of meats and will have the effect of discouraging the production of live stock. I believe that the live stock industry to-day is in a very prosperous condition.

I would like to have this read in the Record.

Yours, very truly,

P. H. O'NEIL.
Faulkton, S. Dak.

LOVELACE-FARMER CO.,
Martin, Tenn., February 7, 1919.

Hon. T. W. SIMS,
House of Representatives,
Washington, D. C.

MY DEAR MR. SIMS: We are glad to note that you have introduced a bill known as "The Sims Bill, H. R. 13324," which is to effect or the protection of legitimate jobbers or wholesale merchants throughout the country; thereby opposing big packers and manufacturers from obtaining a monopoly on most all kinds of food products. Now unless your bill or something similar is passed these big packing companies, or manufacturers will soon have a monopoly of certain lines trade, like the big mail order houses of the cities have in their respective lines. Already the Great Armour Packing Co., and possibly others are not only running their cars up and down all railroad lines, carrying their meats and products of their own packing, but carrying in addition almost a complete line of wholesale groceries, which is greatly hurting and damaging other legitimate lines of business. Now the thousands of legitimate wholesale merchants throughout the land are all paying legitimate license to do business, and they are paying their ad valorem taxes. Also paying regular revenue taxes, excess war profit tax, etc. and etc. which as you well know brings in a great deal of revenue for our Government which is so badly needed at this time, and if these legitimate business concerns are to be badly hampered, and possibly many crushed out of existence our Government will lose a great deal in revenues, and besides it will be very unjust to these many business firms, who have invested large amounts of capital in legitimate channels. So we beg, Mr. Sims, that you do all you can in passing this bill.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 2439

We are also writing to Congressmen Garrett and Hon. K. D. McKellar, and ask you to cooperate with us, in having your bill and the Kenyon bill, S. 5248, passed.

Thanking you for your many favors, and trusting your bill will meet with success, we are,

Yours truly,

LOVELACE-FARMER Co.,
By T. H. FARMER,
General Manager.

HUNTSVILLE GROCERY Co. (INC.),
Huntsville, Ala., Feb. 7, 1919.

Hon. T. W. SIMS,
House Office Building, Washington, D. C.

DEAR SIR: The writer has been informed that you are chairman of the Committee on Interstate and Foreign Commerce, and that you have introduced a bill in Congress dealing with the packing industry, known as Sims bill, H. R. 13324, and that this bill is also known in the Senate as Kenyon bill, S. 5248.

The wholesale grocers of the United States certainly appreciate your far-sightedness in introducing this bill and are very glad indeed to note that our Senators and Congressmen are awaking to the fact that the packing industry, as it is now being carried on, unless it is regulated, in some way, will prove to be one of the most detrimental and gigantic trusts that has ever been imposed upon the people of the United States.

Unless our Government regulates above industry in some way it is certainly going to prove very detrimental to the interests of the common people, also other distributors of foodstuffs.

We have faith and confidence in the ability of our representatives to believe that they will be able to regulate above industries in such a way that smaller business and capital will be allowed to grow, thrive, and help to develop this great country of ours.

We believe that, if you are familiar with the conditions that your committee realizes the benefit that the wholesale grocery jobbers is to the country in the distribution of food. He is usually located in a section of the country in which he is interested in developing and improving the living conditions of the community and making them better instead of worse.

While our packers are very essential, it is a fact that their motives and intentions seem to be to crush all competition possible. Their prestige in operating route cars and having the cooperation of the railroads in rushing forward these cars and peddle groceries from one section of the country to the other certainly gives them a decided advantage in distributing foodstuffs.

Thanking you in advance for the interest that you have been taking in the matter, and assuring you that we believe that every wholesale grocer in the United States as well as the people who are informed will back you up in the passage of above bill, we are,

Very truly, yours,

HUNTSVILLE GROCERY Co.
Per W. L. BAKER, President.

J. C. FELSENTHAL Co.,
MEMPHIS, TENN., February 8, 1919.

Hon. T. W. SIMS,
Washington, D. C.

MY DEAR SIR: Our attention has been called to a bill just introduced in the House known as the Sims bill, H. R. 13324, and in the Senate as the Kenyon bill, S. 5248, for the future welfare of the wholesale grocers throughout the country.

We trust that these bills will have your earnest consideration and that you will assist in every reasonable way to enact these two bills into law.

The advantage that the packers have over all legitimate jobbers would be hard to explain, with the enormous buying powers and their route car system delivering the merchandise at the majority of the towns that these peddler cars go to without any freight, as they usually contract for a car of 10,000 pounds with the farthest point that this car is routed for and at each station along the route merchandise is delivered to the customers without any additional

freight charges. Whereas the jobber is compelled to bring his merchandise from some particular point to a certain point in car and from that he tries to distribute to the dealers in his territory.

With the many thousands of dollars invested by the wholesale grocers and with the small margin of profit we get to meet competition of the packers on business of this method will mean the elimination of many wholesale grocers throughout the country.

Trusting, therefore, that you will give these two bills every assistance that you possibly can, beg to remain,

Yours, truly,

J. C. FELSENTHAL Co.,
Per J. C. F.

FEDERAL TRADE COMMISSION,
Washington, February 8, 1919.

Hon. THETUS W. SIMS,
Chairman, Committee on Interstate and Foreign Commerce,
House of the Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: Inclosed herewith is a letter from Mr. Ira W. Collins, cattle raiser of Des Moines, Iowa, addressed to the Secretary to the President, which Mr. Tumulty has referred to this office.

The commission forwards this letter to you for such use as you may desire to make of it.

Yours, very truly,

FEDERAL TRADE COMMISSION.
L. L. BRACKEN; Secretary.

DES MOINES, IOWA, January 21, 1919.

Mr. TUMULTY,
Secretary to his Excellency, President Woodrow Wilson,
White House, Washington, D. C.

DEAR SIR: If you will recall it I wrote you last summer that the packers were borrowing immense sums of the banks, at cattle centers, at a time when every patriotic citizen was straining every effort to buy bonds and do his duty as he should, and our local bankers were patriotically willing to see their deposits dwindle to the danger limit.

By borrowing this money, such as the sixty million borrowed by Armour & Co., of the Chicago banks, they were enabled to create such a money shortage as to shut off cattle raisers and make short-time feeders and compel every surplus head and needed stockers to be rushed into market at the time of the glut of grass cattle, so they could take them at their own prices, and by holding in their packing plants, this meat can be put on the market after the run is in and meat becomes scarce at 100 per cent profit, and to keep the run coming and the engorgement on, they pay a fancy price for a few head of each kind of stock to deceive the feeders. And when you arrive on these gluttoned markets 99 per cent go at canner prices compared to what you expected.

You see by running all the local butchers out of business by furnishing them meat at a low price for a short while, the packers become the only demand, as they are the whole market, so that both the consumer and the producer are at their mercy.

I will give you the sequel to my cattle experience that I wrote you about in summer. At that time I was compelled to put the calves and dry cows on the market, because of scarcity of money, result was no profit for the feed I had fed them up to that time of last years' crop, and I secured enough money of a friend to feed out the other hundred head of fine cows, and after feeding them the crop of this year as the first were fed on last year's crop, so that I had put into them my entire share of crops of corn for two years raised on 800 acres, and although they had been so heavily corn fed for so long, they arrived at the time when their congestion of the market which they had been working for, was in full swing, and for a few head out of each kind they were paying extreme high prices, a few steers reaching 20 cents, yet they were taking the bulk about 99 per cent at a 50 per cent slaughter price. My fine fat cows went at canner prices, 8 to 9½, while for a few head of cows about one out of a thousand to draw feeders into the vortex, they paid as high as 15 cents, about double what I received.

Of course I may have been spotted, because of having reported this other before.

Result was biggest run ever known and they having killed all competition among local butchers, they were the undisputed whole market, and my cattle along with the rest went at a price that completely swallowed up two years of crops on 800 acres of land and left nothing but a memory and that isn't all, this meat by the use of that sixty million Armour borrowed in Chicago, after helping to create the money shortage and plenty more borrowed by other firms, enabled them to put this meat into the packing plant and when all these short fed cattle and grasses are in and these others which should have been kept for stockers, it will enable them to put this meat on the market to feed the starving world at about 100 per cent profit, so that the cattle raisers have been held up for their entire crop for from one to two years and the consumers will now be held up by the high cost of living, created by these packers, for all that they have earned of surplus in the last few years.

If that isn't a combination that works then I don't know. Capt. Kidd of the pirates and the Kaiser with his militarism holding up the world with frightfulness are tame, they lack the diplomacy of this big business. This extraction without pain.

Give this, please, to congressional committee; this can all be verified by the Chicago and Kansas City records.

Now, if we had Government ownership or perfect control of packing plants so all excess could be stored and all shops that didn't butcher their own meat compelled to take of Government packing plants, we could regulate prices and save about \$1,000,000,000 per year to a long gulled and oppressed country, both producer and consumer, and incidentally dethrone a lot of American Kaisers. In other words the Government would be a sort of Joseph in Egypt to starving humanity.

I love to see wealth accumulate, but I love to see it diversified, and I feel so sorry for these brave boys who have staked their lives that freedom might not perish from the earth, who now have to come back home and be shackled and bound for life, either as producers or consumers to eke out an existence in privation and poverty, while their substance goes to pay tribute to our commercial Kaisers for the rest of their day.

Most respectfully,

IRA W. COLLINS.

P. S.—You will recall I called your attention to a similar corner in the grain business, which occurred several years ago when members of the meat trust borrowed all the money they could at the Chicago banks and in Iowa so as to drain all the Iowa bankers and then during the panic which followed used this very money to buy all the corn, as farmers could not hold it because of lack of funds, nor were they enabled to buy stock to feed it. Result was they purchased the corn at about 16 cents a bushel and were enabled to sell it again at about 50 cents a bushel, about three times purchase price. This is the same game, only in another field.

Address: 3221 Grand Avenue, Des Moines, Iowa.

J. A. SLOAN Co.,
Columbia, Tenn., February 10, 1919.

Hon. T. W. SIMS,

House of Representatives, Washington, D. C.

MY DEAR SIR: We wish to indorse heartily your bill, H. R. 13324.

This is a matter that reaches the hearts of the business interest of the entire country. The wholesale grocer is a link in the chain of distribution of food-stuffs that is a great benefit at large, and not only a benefit but a convenience, especially now that these wholesale houses are placed at every town of any size in the whole country. Should the wholesale grocery business be abolished then the inconvenience that would come to the rural districts of this country would be the greatest calamity that ever befell them.

We wish again to say that we heartily indorse your bill and we will take the matter up with our Senator, as well as our Congressman, Hon. L. P. Padgett.

With best wishes, we are,

Yours, truly,

J. A. SLOAN Co.
J. A. SLOAN, *President.*

THE FARMERS' NATIONAL COMMITTEE ON PACKING PLANTS
AND ALLIED INDUSTRIES,
Washington, D. C., February 12, 1919.

Hon. THETUS W. SIMS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

MY DEAR JUDGE SIMS: I have received a telegram with the request that I mail copy thereof to you, as follows:

"We urge immediate passage of Sims bill, House resolution 13324, and Kenyon bill, Senate 5248, and demand that criminal record of packers in past be made impossible of continuance."

This is from Park Grange 454, E. Holtzhouser, secretary; E. D. Cook, master. Olema, Wash.

Yours, very truly,

GEO. P. HAMPTON,
Manager.

CHICAGO, ILL., February 13, 1919.

Hon. T. W. SIMS,
Chairman, Interstate and Foreign Commerce Committee,
House of Representatives, Washington, D. C.

MY DEAR SIR: You may recall that Mr. W. F. Bode appeared before your committee some few days ago and made reference to the fact that the so-called meat packers were making sales of their wrapped hams and bacons on a gross for net basis, which means that the purchasers of same are required to pay the price at which the meat is sold for the wrappings, and the aggregate of such practice is very considerable. It amounted to millions of dollars. He also made reference to the fact that this was made possible by a ruling of the Secretary of Agriculture through the Bureau of Chemistry whereby such wrapped hams and bacon are classified as not being "in package form." At the time Mr. Bode made this statement before the committee he did not have available the actual printed pamphlet containing such ruling.

Such ruling was promulgated originally by the Bureau of Chemistry, which is a bureau under the control of the Secretary of Agriculture, under date of July 17, 1914, and is known as S. R. A.—Chem. 6. A reconsideration of the opinion of the department was requested by the uniform tares committee of the National Wholesale Grocers' Association, of which Mr. Bode was chairman. This reconsideration was requested early in 1916, and a general hearing was had on March 8, 1916, and under date of August 28, 1917, the United States Attorney General addressed the Secretary of Agriculture on the subject of whether or not single hams and single sides of bacon wrapped or covered with paper, cloth, or gelatin are "in package form."

The Attorney General's opinion is published in the item marked 248, on page 74, S. R. A. No. 21, issued by D. F. Houston, Secretary of Agriculture, under date of November 12, 1917, and I have requested the Bureau of Chemistry to send sufficient copies of said issue so that each member of your committee may have one. Possibly a request from you direct would expedite your obtaining same.

Very truly, yours,

C. E. M. NEWTON.

KING COUNTY POMONA GRANGE, No. 13, OFFICE OF MASTER,
Seattle, Wash., February 19, 1919.

Hon. THETUS W. SIMS,
House Committee on Interstate Commerce,
Washington, D. C.

DEAR SIR: King County Pomona Grange No. 13 of the State of Washington, representing more than 1,400 organized farmers, respectfully urges you to support the Sims bill, House Resolution No. 13324, relating to the control of packing industries.

FRED NELSEN, Master.
C. R. COTTELL, Secretary.

CONSUMERS' LEAGUE OF MARYLAND,
Baltimore, February 22, 1919.

Hon. THETUS W. SIMS,
House Office Building, Washington, D. C.

DEAR SIR: The Consumers' League of Maryland wishes to extend its approval of the Sims bill on the meat packing industry.

Sincerely,

ANNA ANDREWS THOMAS (Mrs. T. P. THOMAS),
Executive Secretary.

HOUSE OF REPRESENTATIVES,
Washington, February 24, 1919.

Hon. THETUS SIMS,
*Chairman Interstate Commerce Committee,
House of Representatives, Washington, D. C.*

MY DEAR COLLEAGUE: The inclosed letter from a cattle raiser in my district may be of interest to your committee in connection with the bill on which you recently held hearings in relation to the packing industry.

I would be glad if you could send Mr. Elliott copy of this bill with such of the hearings printed as are still available, and oblige

Yours, very truly,

N. J. SINNOTT.

MERRILL ROUTE, KLAMATH FALLS, OREG.,
February 17, 1919.

N. J. SINNOTT,
Washington, D. C.

DEAR CONGRESSMAN: I firmly resolved that I would not write a letter to a Member of Congress while the war lasted, but to support the present Members in all ways possible and leave the great question of the period to their own good judgment. This I have adhered to.

You probably know what they have done to the cattlemen, and more especially the cattle producer; have heard of it at least. I solicit your most earnest efforts to adjust the condition and if possible punish the proper persons. We have known of the packers' ways of doing for years and nothing has been done to protect or help the producer. It would take a long letter to explain what we encounter here of their propaganda and manipulation. The mails are full of their propaganda in all forms, and their manipulations are ever evident. At the stock markets they maintain show steers that they use to beat down the prices of stock shipped in by independent parties. In this section they will purchase only in the fall of the year. Last fall three buyers were sent in, supposedly representing different firms. They went about and lined things up, got the cattlemen's attitude, saw his stuff, put what they had said together, then politely left one fellow to hand you your dose. They did it nicely.

To do this they own large ranches; lease others; purchase hay and hold all the cattle for the season meat supply. They do not produce, but prey upon the legitimate cattle producer. The growers can not feed their little bunches of cattle and sell along during the year as he can not get a fair price for them.

One thing that should be done, and that at once; forbid them to maintain a show bunch of cattle at the yards to shove through to cause lower market on incoming shipments; forbid them to purchase speculation herds and thereby compete with the producer; forbid them to own ranches, lease lands, etc., for maintaining a beef surplus in competition with the grower.

I hope you will be able to secure some legislation that will put to an end many of the most obnoxious of their methods at once. And not have it handled by a commission either.

Yours, truly,

J. RUSSELL ELLIOTT.

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